Annual Report 1993

BCE Inc.

Leadership in telecommunications

BCE Companies

Canadian Telecommunications

Telecommunications Services (Telecoms)

- **Bell Canada** *100%*
  - Bell SYGMA Inc. *100%*
  - WorldLinx Telecommunications Inc. *100%*
- **Télébec ltée** *100%*
- **Northern Telephone Limited** *99.9%*
- **Northwestel Inc.** *100%*
- **NewTel Enterprises Limited** *55%*
  - Newfoundland Telephone Company Limited *100%*
- **Bruncor Inc.** *40.5%*
  - The New Brunswick Telephone Company, Limited *100%*
- **Maritime Telegraph and Telephone Company, Limited** **35.2%*
  - The Island Telephone Company Limited *52%*

Other Telecoms

- **BCE Mobile Communications Inc.** *65.4%*
  - Bell Mobility — Cellular, Paging, Radio *100%*
  - Skytel Communications Corporation *100%*
  - Bell-Ardis Inc. *60%*
- **Teleglobe Inc.** *22.5%*
  - Teleglobe Canada Inc. *100%*
- **Telesat Canada** **58.5%*
- **TMI Communications Inc.** *100%*

International Telecommunications

- *Investments* **Bell Canada International Inc.** *100%*
  - *Telecom Services* Mercury Communications Limited (United Kingdom) *20%*
  - CLEAR Communications Limited (New Zealand) *21.3%*
  - *Cable TV and Telecom Services* Encom Cable TV & Telecommunications Limited (United Kingdom) *68%*
  - Videotron Holdings Limited (United Kingdom) *24.6%*

Directories

- **Tele-Direct (Publications) Inc.** *100%*
- **Tele-Direct (Services) Inc.** (Canada) *100%*
- **Tele-Direct International Ltd.** *100%*
- **Activity Directories, Inc.** (Colorado, U.S.A.) *75%*
- **Pacific Access Pty. Ltd.** (Australia) *12.2%*
- **Al Wahda-Express** (United Arab Emirates) *35%*
- **Tele-Gulf Directory Publications** (Bahrain) *59%*
- **Egypt Yellow Pages Ltd.** *47%*
- **Caribbean Publishing Company Ltd.** (Cayman Islands) *86%*
- **M&N Publications Inc.** (India) *40%*
- **Directories Company for Advertising and Publicity Inc.** (Jordan) *60%*
- **Al-Sayer Tele-Direct** (Kuwait) *45%*

Telecommunications Manufacturing

- **Northern Telecom Limited** *52.1%*
- **Northern Telecom Canada Limited** *100%*
- **Northern Telecom Inc.** (U.S.A.) *100%*
- **Northern Telecom Europe Limited** (United Kingdom) *100%*
- **Northern Telecom (CALA) Corporation** (Caribbean and Latin America) *100%*
- **Northern Telecom Japan Inc.** *100%*
- **Northern Telecom (Asia) Limited** (Hong Kong) *100%*
- **NorTel Australia Pty. Limited** (Australia) *100%*
- **Matra Communication S.A.** (France) *20.5%*
- **NT Meridian S.A.** (France) *72.6%*
- **Netaş-Northern Electric Telekomünikasyon A.S.** (Turkey) *51%*
- **Tong Guang-Nortel Limited Liability Company** (People's Republic of China) *55%*

Research and Development

- **Bell-Northern Research Ltd.** *Northern Telecom 70%* *Bell Canada 30%*
- **BNR Europe Limited** (United Kingdom) *Northern Telecom 100%*
- **BNR Inc.** (U.S.A.) *Northern Telecom 100%*
- **Stentor Resource Centre Inc.** *51.3%*

Other

- **Bimcor Inc.** *100%*
- **BCE Ventures Inc.** *100%*
- **Teletech Financial Corporation** *Bell Canada 30%* *BCE Mobile 30%*

Ownership percentages displayed are as of January 1, 1994.

Certain entities are held indirectly through one or more subsidiaries which are not shown here.

*BCE has only a 26 per cent voting interest in Telesat Canada and, under a provincial statute, can vote only 1000 shares of MT&T.

On December 2, 1993, BCE and The Bank of Nova Scotia agreed in principle that BCE would sell to The Bank of Nova Scotia all the outstanding common shares of Montreal Trustco Inc. The transaction is subject to a number of conditions and is expected to close in 1994.

• Bell Canada
• Northern Telecom
• Bell-Northern Research
• Bell Canada International
• BCE Mobile
• Tele-Direct

Contents

Trademarks

Advantage, Advantage 800, Bell Rewards, Bill2000, Datapac Mobile, 800 Entry, Ident-A-Call, Megalink, Megaplan, Megaroute, Megastream, Microlink, 800 Service, Teleforum, Teleplus, Teleplus Overseas, VideoForum, WATS and WorldLinx are trademarks of Bell Canada.

Advantage Preferred and Advantage Vnet are joint trademarks of Bell Canada and MCI Communications Corporation. (Advantage belongs to Bell Canada, Preferred and Vnet to MCI.)

AIR MILES is a trademark of AIR MILES International Holdings N.V.

Companion, Concorde, DMS, DMS-MSC, DMS-MTX, DPN, FiberWorld, Gateway, IBDN, Interlude, LANMaximizer, Magellan, Meridian, Meridian 1, Millennium, Norstar, Passport, Rhapsody, S/DMS AccessNode, S/DMS SuperNode, S/DMS TransportNode, and VISTA are trademarks of Northern Telecom Limited.

GenStar is a trademark of GTE Airfone Incorporated.

Hyperstream is a trademark of MCI.

INFOLAN is a trademark of Infonet Services Corporation.

Iridium is a trademark of Iridium, Inc.

NewStream is a trademark of Motorola Inc.

PrimeLine is a trademark of Access Lines Technologies Inc. Bell Canada is a licensed user.

SmartTouch is a trademark of Stentor Resource Centre Inc.

VIS-A-VIS is a trademark of WorldLinx Telecommunications Inc.

Mercurycard, Calling Card and Premier ISDN Service are trademarks of Mercury Communications Limited.

Yellow Pages and Talking Yellow Pages are trademarks of Tele-Direct (Publications) Inc.

BCE ⋆ is Canada's largest telecommunications company.

Its subsidiaries and affiliated companies, including Bell Canada, provide telecommunications services to some 70 per cent of the Canadian population. Its subsidiary Northern Telecom Limited is a world leader in the manufacture of telecommunications equipment, and Bell-Northern Research Ltd. is Canada's largest research and development establishment. BCE Mobile Communications Inc. provides cellular, paging, radio, mobile data and air-to-ground communications. Bell Canada International Inc. is responsible for BCE's international operating and investment activities. Tele-Direct companies provide telephone directory services in Canada and overseas.

BCE has the largest number of registered shareholders of any Canadian corporation and its common shares are listed on exchanges in Canada, the United States, Europe and Japan.

⋆ BCE is a trademark of BCE Inc.

Principal Subsidiaries

Bell

Bell Canada, the largest Canadian telecommunications operating company, markets a full range of products and services to more than seven million customers in Ontario and Quebec. Bell Canada is a member of Stentor, an alliance of Canada's major telecommunications companies.

nt northern telecom

Northern Telecom Limited is a leading global manufacturer of telecommunications equipment. It is 52.1 per cent owned by BCE and its common shares are listed on the New York, Toronto, Montreal, Vancouver, London and Tokyo stock exchanges.

BNR

Bell-Northern Research Ltd., Canada's largest R & D organization, is a world leader in designing and developing advanced telecommunications systems. It is 70 per cent owned by Northern Telecom and 30 per cent by Bell Canada.

Bell Canada International

Bell Canada International Inc. is responsible for BCE's international telecommunications investments and provides telecommunications consulting services.

BCE MOBILE

BCE Mobile Communications Inc. is the Canadian leader in mobile communications, under the Bell Mobility banner. BCE owns 65.4 per cent of BCE Mobile, whose shares are listed on the Montreal and Toronto stock exchanges.

™ TELE-DIRECT (PUBLICATIONS) INC.

The Tele-Direct group of companies publishes telephone directories in Canada and overseas. Tele-Direct sells advertising, compiles, publishes and delivers white pages and Yellow Pages directories.

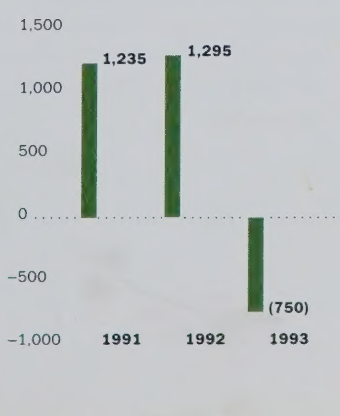
The annual reports to shareholders of BCE's public companies may be obtained directly from those companies, or by writing to:
The Vice-President and Corporate Secretary
BCE Inc.
1000, rue de La Gauchetière Ouest
Bureau 3700
Montréal (Québec) H3B 4Y7

Financial Highlights

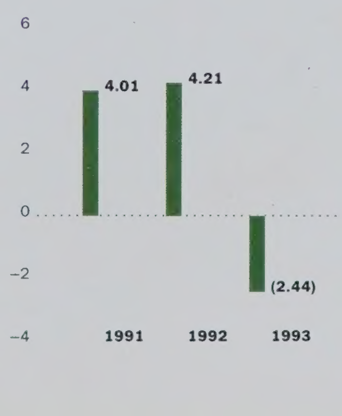
($ millions, except per share amounts)	**1993**	1992	1991
Revenues	**19,827**	19,572	18,494
Earnings from continuing operations	**159**	1,486	1,307
Earnings (loss) from discontinued operations	**(815)**	(96)	22
Net earnings (loss) applicable to common shares	**(750)**	1,295	1,235
Earnings (loss) per share	**(2.44)**	4.21	4.01
Return on common equity	**(7.1)%**	12.0%	12.0%
R&D expense	**1,244**	1,105	1,071
Capital expenditures	**3,210**	3,715	3,261
Total assets	**36,708**	36,656	33,652

Revenues
($ millions)

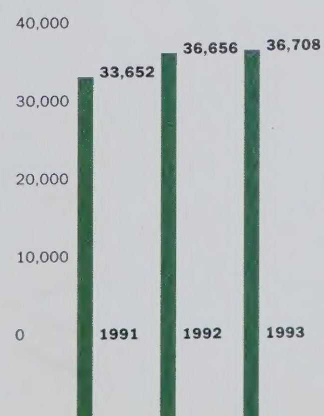
Net earnings (loss) applicable to common shares
($ millions)



Earnings (loss) per share
($)



Total assets
($ millions)



Message to Shareholders

L.R. Wilson

The past year was one of transition for BCE, as the company completed the divestiture of its non-telecommunications assets. While this adversely affected financial results, it also marked an important turning point. BCE, Canada's largest telecommunications company, is well-positioned to continue its growth in this dynamic industry.

1993 year-end results

For 1993, BCE's net loss per share was \$2.44, compared with net earnings per share of \$4.21 in 1992. Revenues for the year were \$19.8 billion compared with 1992 revenues of \$19.6 billion.

BCE had net earnings of \$159 million from continuing operations, compared with \$1,486 million in 1992. The net loss from discontinued operations, principally the loss on disposal of Montreal Trustco Inc. and BCE's interests in BF Realty Holdings Ltd. and Brookfield Development Corporation, was \$815 million, compared with a net loss of \$96 million in 1992. For 1993, the net loss to common shareholders, after payment of preferred dividends, was \$750 million, compared with net earnings of \$1,295 million in 1992.

Results for 1993 reflected non-recurring charges to BCE of \$624 million, or \$2.04 per share, from Northern Telecom. Although Northern Telecom's year was disappointing financially, the company made important progress in such areas as the Magellan broadband multimedia systems; wireless communications, both cellular and low-power radio; and a new software platform for central office switching.

Northern Telecom also made significant progress in emerging markets in the Asia Pacific area, particularly in the People's Republic of China, which has set ambitious development goals in telecommunications. Revenues from outside North America accounted for 29 per cent of Northern Telecom's total revenues, up from 26 per cent a year ago.

Northern Telecom will show improved financial performance in 1994 and 1995.

Bell Canada also posted lower profits this year. The decision of the Canadian Radio-television and Telecommunications Commission (CRTC) to deny Bell Canada's first application for a general rate increase in ten years, combined with an unfavourable economic climate, caused Bell Canada's net earnings applicable to common shares to decline by 14.5 per cent this year, to \$796 million from \$931 million in 1992. In addition, the CRTC reduced Bell Canada's allowable rate of return on average common equity to a range of 11 to 12 per cent, from a range of 12.25 to 13.25 per cent. Under the adverse circumstances, Bell Canada achieved a 10.5 per cent return on average common equity for 1993.

Divestitures

In 1993, BCE sold or reached an agreement to sell its remaining interests in TransCanada PipeLines, Encor, BABN Technologies, Case-Hoyt, Montreal Trustco and Brookfield.

The sale of our financial services and real estate investments resulted in a non-recurring after-tax charge of $750 million in our fourth-quarter results, $400 million related to Montreal Trustco and $350 million for Brookfield.

The sale of Montreal Trustco to The Bank of Nova Scotia includes all the assets and liabilities of Montreal Trust except for various real estate assets, including its main office buildings in Montreal and Toronto. The sale is expected to close in 1994.

BCE will sell to Carena Developments Ltd. all its real estate interests in BF Realty Holdings and Brookfield Development Corporation. This disposition fully provides for BCE's financial exposure in these investments and related guarantees.

Future directions

Communications technology continues to advance and BCE is poised to take advantage of the opportunities this represents.

The multimedia "information superhighway" will encompass optical fiber, conventional cable and telephone lines, wireless radio and satellite transmission. BCE companies are leading Canada and the world in these technologies.

Canada's network of the future can be an infrastructure second to none in the world. It would have the reach and capacity to improve the lives of all Canadians, and to link them not only across the country, but to others around the world. This information superhighway would support not only entertainment and business operations, but also education, health, law enforcement, justice, and social services. It would touch almost every aspect of our public and private lives.

The multimedia network is already being built piece by piece. In the United States, regional telephone operating companies have announced major spending programs to improve broadband capability. Everywhere, regulators and legislators are trying to keep pace with the impact of the technology, and with the opportunities for private investment it is unleashing.

The convergence of technologies is inevitably tearing down the old regulatory barriers dividing program creation, broadcasting, cable television, satellite, and wireline and wireless operators. Compartmentalized regulatory systems cannot continue to exist. Telecommunications infrastructures linking countries are even now so integrated that borders are fast becoming meaningless.

Information technology is a key competitive advantage in the world today. Canada has a strong, state-of-the-art network stretching right across the country. Competition, as a stimulus to development and enterprise, is alive in Canada. For Canada to remain a major centre for innovation in telecommunications, our regulators and legislators have an obligation, and an opportunity, to create the right regulatory framework.

Regulatory framework

In the fall of 1993, the CRTC held six weeks of public hearings – and produced 7,000 pages of transcripts – as part of a review of the regulatory framework in Canada. These hearings highlighted the different points of view on the issue and pointed out how crucial the regulatory framework will be to the future of the Canadian telecommunications system.

Bell Canada and the other Stentor members argued that regulation should be retained only where it is needed, and relaxed in those areas where market forces and competition exist. Companies should be free to compete in all telecommunications services, including cable television, broadcasting, video transmission and telephony.

Local and long distance services should be separated for regulatory purposes. Local service would remain regulated, although it need not remain so forever. On the other hand, long distance customers benefit from vigorous competition among several companies.

We must all work together to ensure that Canada's system encourages world class telecommunications for Canadians.

Our goals

BCE is now well-positioned to take advantage of the dynamic opportunities in the telecommunications industry of today and tomorrow. BCE companies enjoy strong positions in North American and global markets.

In 1994, we will continue our commitment to leadership in telecommunications: to maintaining and improving our telecommunications infrastructure, to developing and applying new technologies in the emerging world of multimedia information networks and to seeking business opportunities in Canada and abroad.

We will continue to build strong operating units in telecommunications services, including wireline, wireless and satellite communications. We will also maintain strong capabilities in equipment manufacturing and in research and development.

We will build on BCE's Canadian base to develop a strong North American presence, through acquisitions, alliances and by directly extending our services. A recent application of this strategy was our announcement concerning the acquisition of a 30 per cent interest in Jones Intercable, Inc., the seventh-largest cable operator in the United States. We will continue to form alliances with other North American telecommunications companies, in order to expand the reach of services we can offer customers, and to improve our access to the most advanced technology.

Internationally, we will build on our investments in the United Kingdom, where we have investments in both wireline communications, through Mercury Communications, and in cable distribution, through Encom and Videotron. International investments are a new source of revenues and also permit BCE to participate in new technologies such as delivery of telephone service by cable.

Our ultimate goal is to provide a sound return on equity for our shareholders, while providing the highest quality of service to the public. This is a goal that we have achieved over the years, and that we will continue to pursue in the future.

People

This year marks the retirement from the Board of Directors of our founding director and chairman emeritus, A. Jean de Grandpré. Mr. de Grandpré was the first chairman and chief executive officer of BCE, retiring as chairman of the board in 1989. Mr. de Grandpré's vision resulted in the formation of BCE in April 1983. BCE shareholders, and Canadians generally, have benefited from his farsightedness and statesmanship. He has been widely honoured for his achievements and will be greatly missed by his colleagues.

During the year, several changes were made in key leadership positions in BCE and its companies.

At Bell Canada, John T. McLennan was appointed president and chief executive officer on January 1, 1994. He succeeded Robert Kearney who retired from Bell Canada at the end of the year and who will serve as chairman of the BCE Canadian Telecom group. Mr. McLennan has wide experience in the telecommunications industry, most recently as chairman of BCE Mobile.

Mr. Kearney ably led Bell Canada during a major shift in the regulatory environment and clearly outlined a vision of customer choice, a greater role for market forces and needed changes in the regulatory system.

At Northern Telecom, Jean C. Monty was appointed president and chief executive officer on March 1, 1993, to lead the company through a period of restructuring and growth.

Our international operations are headed by Derek H. Burney, formerly Canada's ambassador to the United States, who was appointed chairman and chief executive officer of Bell Canada International Inc. on July 16, 1993.

BCI will continue to invest in rapidly growing telecom markets outside of Canada, including Asia Pacific and Latin America, the United Kingdom and the United States.

At BCE Mobile Communications Inc., Ian D. McElroy was appointed president and chief executive officer on September 7, 1993. Mr. McElroy brings 20 years of experience in the North American computer industry and a strong background in marketing and technology.

At Telesat Canada, Laurier (Larry) J. Boisvert was named president and chief executive officer on November 17, 1993. He is a career Telesat executive with 21 years of experience, and has a strong background in virtually all aspects of Telesat's business, including technology, marketing and network operations.

≺ BCE is now well-positioned to take advantage of the dynamic opportunities in the telecommunications industry of today and tomorrow. BCE companies enjoy strong positions in North American and global markets. ➢

At TMI Communications Inc., Robert A. Ferchat, formerly president of Northern Telecom Canada Limited, was appointed chairman and chief executive officer on July 5, 1993. The company is responsible for developing satellite-based mobile communications throughout Canada.

Corporate management at BCE was strengthened with the addition of J. Derek M. Davies as senior vice-president, corporate strategy, on July 5, 1993, of Charles A. Labarge as vice-president, corporate services, on July 12, 1993, and of William R. Kerr as vice-president and comptroller on September 1, 1993.

Mr. Davies was formerly senior vice-president, corporate strategy, at Northern Telecom. Mr. Labarge comes to BCE from BCE Telecom International, where he was president and chief executive officer. Mr. Kerr has held positions as senior financial officer with corporations in Canada, the U.S. and the U.K.

At the same time, Douglas B. Gibson joined Bell Canada as corporate comptroller, after holding similar positons successively at Montreal Trustco and at BCE.

1993 was a challenging year for all of us in the BCE group. On behalf of the Board, I would like to extend our appreciation to all our employees for their loyalty, dedication and continued commitment through these changing times. Our employees are our most important asset. In terms of education and training, spirit of service to the public and commitment to results, they are second to none.

L.R. Wilson
Chairman, President and Chief Executive Officer

February 23, 1994

The Vista 2000 residential cordless telephone, by Northern Telecom, includes a luminous screen in the handset to identify incoming calls. Bell Canada offers the Vista 2000 for rent.

BCE: Canada's largest telecommunications company

Telecommunications in Canada are undergoing great change. Canada's telecommunications companies, or telecoms, are putting control in the hands of the customer, with new products and services that permit individually tailored solutions to customer needs.

BCE is the largest telecommunications company in Canada. BCE's principal telecom subsidiary is Bell Canada, serving Ontario and Quebec, with more than seven million business and residential customers and 9.5 million network access lines, or some 58 per cent of the Canadian total. Together, BCE's eight subsidiary and affiliated telecoms serve all or part of seven of Canada's 10 provinces and both territories: some 70 per cent of the Canadian population.

BCE has a 58.5 per cent interest in Telesat Canada, whose satellites transmit TV and radio signals and business telecommunications across Canada and into the United States. BCE also has a 22.5 per cent investment in Teleglobe Inc., whose subsidiary Teleglobe Canada Inc. is Canada's sole carrier for overseas telecommunications, via satellite and submarine cable.

Ready for tomorrow

Canada has one of the most advanced integrated telecom networks in the world, so new products and services can be rolled out quickly right across the country. Stentor, the alliance of Canada's 10 major telecoms, promotes pooling of resources in engineering, research, product development and marketing.

Stentor's alliance with MCI Communications Corporation of the U.S. has brought streamlined cross-border *800 Service* and high-speed multimedia networking across Canada and to the U.S. Stentor and MCI are currently conducting tests to deliver a portfolio of advanced intelligent network services to customers in both countries.

Canada's long distance network, based on Northern Telecom *DMS* switches, is entirely digital. Virtually all of Bell Canada's local network will be digitally served in 1994, and the other BCE family telecoms are also very advanced in digital service. New Brunswick Telephone, a BCE associate, is entirely digital. Digital equipment is less expensive to buy, install, maintain and expand. It provides far greater capacity and supports sophisticated new features and services.

The entire Canadian network, long distance and local, will in 1994 be served by CCS-7 (Common Channel Signaling), which makes the network "intelligent," meaning it can support many value-added services for home and business.

Two high-capacity optical fiber "highways" cross the country, creating enormous transmission capacity, and fiber connects some 86 per cent of Bell Canada's 1,028 central office switches. Fiber is being deployed from the central hubs towards business customers, and Bell Canada is conducting tests of fiber deployment to homes in high-density areas.

Advantage Vnet virtual corporate network has cut the average price of a call by 60 per cent at Domtar, a paper company with extensive North American operations. Edward Farley of Domtar's Chicago office places a call to the Domtar plant in Windsor, Quebec.

Students at the Université du Québec à Montréal can contact key campus services including security via Direct Access buttons on the Northern Telecom Millennium payphones installed by Bell Canada. Exam scores are available within 48 hours.

For the customer – business and residential – this state-of-the-art network brings services that improve the quality of their telecommunications, while making the Canadian economy more efficient and productive.

Using the network to build revenue

Building revenues through value-added services is important in the present regulatory situation. Revenues from basic local service do not cover the cost of providing service, and long distance revenues are under pressure from competitors not subject to the same regulatory constraints as Bell Canada.

In 1993, Bell Canada earned revenues of $549 million from optional services and features, up 15 per cent over 1992. This source of revenues is gaining steadily in importance.

The introduction of competition, along with weak economic conditions, have caused a decline in revenues from long distance service. In August, the Canadian Radio-television and Telecommunications Commission (CRTC) denied Bell Canada's request for increases in local service rates. If successful, this request would have resulted in the first general increase in local rates since 1983, a ten-year period during which the Consumer Price Index increased by 47 per cent. These factors all contributed to the fall in Bell Canada's 1993 net income.

In response, Bell Canada has had to take some difficult decisions. The 1994 budget for capital investment – spending on equipment and facilities – was cut by $300 million from planned levels, in addition to a cut in 1993 capital investment of $190 million made earlier in the year. However, even under these constraints, Bell Canada will continue to invest strongly in the network. A modern, well-maintained network is essential to control operating costs and to permit introduction of new revenue-generating services.

BCE telecommunications companies

In 1993, Bell Canada spent $2.1 billion on capital investments, and plans to spend $10 billion in the five years from 1994 through 1998.

A major restraint program will also cut $466 million from operating expenses in 1994. The company has avoided lay-offs through agreements with employees to introduce a series of measures, including reduced work weeks, a pay freeze for managers and days off without pay, that will reduce workforce costs by the equivalent of some 5,000 employees.

New services to the home

Thanks to Canada's advanced infrastructure, Bell Canada and other Stentor members can offer customers the sort of communications services at home that they use at the office, through *SmartTouch* services. The home phone becomes a far more versatile communications tool, for the entire family.

The *VISTA 200* phone manufactured by Northern Telecom provides simple push-button access to services such as *Call Answer, Voice Mail, Ident-A-Call, Multiuser Option, Call Return,* and more. VISTA sets include a luminous display panel that shows the number being dialed, and can also display the number of the calling party. When regulatory approval is received, the display will show the name of the calling party. The *VISTA 2000* cordless phone, expected on the market in spring 1994, provides these features with the display panel in the handset.

Call Answer service, the "invisible answering machine," automatically answers the phone and takes a message, while Voice Mail lets customers send messages to as many as 15 other Call Answer customers. Ident-A-Call and Multiuser Option services permit individual family members to have calls and messages directed to them, over the family telephone line. Two Call Return services, which permit customers to redial automatically calls they missed, are being offered on a pay-per-use basis, a new direction in billing.

Many more services are available or on the way.

Great savings in long distance

New long distance saving packages for both home and business are tailored to a variety of needs, including those with small volumes of calls as well as major customers. Computer software analyzes long distance calls for each billing number, so Bell Canada service representatives can propose the discount package best suited to each customer.

Teleplus services provide discounts to both business and residential customers for long distance calls within Canada, to the U.S. and overseas, while *Bell Rewards* lets residence customers accumulate points that are redeemed for savings on future long distance calling.

Long distance charges are a major element in business costs, and the *Advantage* portfolio offers long distance packages tailored for a range of business needs. The *Advantage Preferred* program rolls several plans, including the well-known *WATS* service, into one, universal, flexible discount package that brings savings of up to 60 per cent on domestic or international long distance calling costs.

The *Advantage Vnet* North American virtual private network enables large corporate customers with multiple locations to create, customize and manage their own unique corporate-wide networks, using the national switched network of the Stentor alliance. Companies can save substantially on their long distance costs. Canadians can interconnect their virtual corporate networks with any of three U.S. carriers: MCI, Sprint and AT&T.

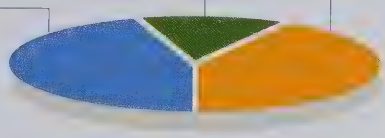
The *Advantage 800* North American service lets companies manage the 800 Service plan in Canada and the U.S. as a single market. For

"Ciao, Nonna!" Teleplus Overseas, one of Bell Canada's cost-cutting products, provides savings on direct-dialed calls terminating in over 200 countries outside North America.

Percentage ownership

Northwestel Inc.	100
Bell Canada	100
Northern Telephone Limited	99.9
Télébec ltée	100
Bruncor Inc. (The New Brunswick Telephone Company Limited)	40.5
Maritime Telegraph and Telephone Company, Limited	35.2
The Island Telephone Company Limited (subsidiary of Maritime Tel & Tel)	
NewTel Enterprises Inc. (Newfoundland Telephone Company Limited)	55

Bell Canada source of operating revenues 1993



small businesses, the *800 ENTRY* service subscription fee has been reduced to only $8 per month, from $25, and customers can receive calls from both Canada and the U.S.

Networking in multimedia

Multimedia networks – office-wide, between offices, across the nation and around the world – are transforming communications for businesses, governments, schools, hospitals and institutions everywhere. In future, these networks will reach residences as well. Surging over these "information highways" are not only voice communications, but also data, text, images and video. The boundary between telephone, computer and television is disappearing. Office employees can share computer screens over great distances, or next door; video networking lets people meet whenever they need to, rather than travelling; teachers can work with students in many different places. The applications of networking are virtually limitless.

Canada's Stentor members provide a nationwide *digital switched network* that permits high-speed data transfer and end-to-end digital capability over the public network.

Customized billing is available for multimedia and networked communications from Bell SYGMA Inc., Bell Canada's computer solutions subsidiary. *Bill2000* permits customers to analyze their monthly bills on the office computer.

Nova Scotia's Collège de l'Acadie uses conferencing technology developed by Northern Telecom and WorldLinx to join six classrooms around the province. From her office in Comeauville, professor Ginette Comeau can see, talk and work with students in Tusket. Maritime Tel & Tel provides the service, a first step on the information highway.

Among the services made possible by Canada's all-digital "intelligent network" are:

- **Megaplan** high-speed all-digital services for business (*Megaroute and Megastream*) have been joined by *Megaplan Satellite Access,* offered in conjunction with Telesat, which adds satellite transmission capacity to remote locations.

- **Integrated Services Digital Network** (ISDN)-based networking, delivers high-speed transmission of voice, data, image and video. *Megalink,* a primary rate interface to the ISDN network, is offered to medium and large companies with PBXs, host computers, and large data applications. *Microlink,* a basic rate interface to the ISDN network, is offered to customers using Centrex.

- **Hyperstream frame relay service**
The increasing power of desktop computers has created a big market for another network service: frame relay, which permits very fast transmission of large quantities of data between local area networks (LANs) many miles apart, at a low cost. Bell Canada and the other Stentor member companies in early 1994 began providing *Hyperstream* service "seamlessly" into the U.S. in conjunction with MCI Communications.

800 Service is a cornerstone of Canadian business. A case in point: Loyalty Management Group's Toronto call centre depends on 800 Service to manage AIR MILES, the air-travel point system many companies use to generate sales.

Cellular service now includes mobile facsimile as well as computer-to-computer data transmissions in the mobile office.

Distance conferencing

Bell Canada and other Stentor companies offer conferencing solutions for every need:

TeleForum service provides telephone conference calls for a virtually unlimited number of people, anywhere in the world. *VideoForum* conferencing rooms, located in cities across Canada, offer reservation-based colour video conferencing among up to 13 locations, worldwide. With the *VideoForum Dial-up* service, the customer may choose to have on-premises video dial-up terminal equipment, or can rent a Stentor video conferencing room.

WorldLinx VIS-A-VIS products permit desktop conferencing on any standard PC or Macintosh computer equipped with a modem or network connection. The new *WorldLinx INFOLAN* network permits companies to integrate many kinds of local area networks into a seamless national and international network, managed and supported by 24-hour service. WorldLinx Telecommunications Inc. is a Bell Canada subsidiary that provides networking products and services.

Personal telephone numbers

Ever wish you could have absolute control of when, where and how someone telephoned you, wherever you are? The *PrimeLine* service provides a personal telephone number and an electronic personal agent. Calls can be directed to any wireless or wireline telephone – the one nearest you, or to another person who is taking your calls – or to a voice message box or other call management option. PrimeLine service will be available starting in March in Toronto, Montreal, Ottawa/Hull and Quebec City.

Cordless telephones

Companion 100 personal communications systems from Northern Telecom will "mobilize" the Canadian office telephone, starting in early 1994, as Bell Canada and other Stentor members start offering it. Companion 100 works off the office telephone switch, giving "untethered" freedom to personnel who can leave their desks and still make and receive telephone calls. Since the system works off the switch, calls to anywhere within the local calling area are not charged by the minute, as for cellular phones, but are free.

The advanced intelligent network

The "intelligent network," with its digital switches and the CCS-7 overlay, is established across Canada. The goal is now to create an "advanced intelligent network" or AIN. Bell Canada and other Stentor companies will then be able to create, test and deploy new services in a fraction of the time now required. AIN will permit unique services designed for individual customers

Bell Canada highlights (consolidated)	**1993**	1992
($ millions except per share amounts)		
Revenues	**7,957**	7,863
Net earnings	**871**	1,006
Contribution to BCE consolidated earnings	**796**	931
Contribution to BCE earnings per share	**2.59**	3.03
Total assets	**18,945**	18,414
Capital expenditures (net)	**2,138**	2,688
Number of employees	**50,982**	52,897
Network access services (thousands)	**9,462**	9,229

Bell Mobility Radio develops tailor-made solutions for customers such as Montreal's Urgences-santé, where mobile communications keep ambulance attendants in constant contact with the dispatch centre.

and will give customers greater control, eventually allowing them to create their own services.

1993 saw initial deployment of AIN in Canada. Over the next five years, Stentor and Bell Atlantic will pursue development of new services on an initial AIN software platform developed by Bell Communications Research Inc. (Bellcore).

BCE Mobile Communications

BCE Mobile Communications Inc. is BCE's 65.4 per cent owned mobile telecommunications subsidiary. BCE Mobile's subsidiaries, operating under the Bell Mobility banner, offer a complete range of mobile services: cellular, paging, air-to-ground, mobile data and private radio.

Bell Mobility Cellular offers cellular telephone service to more than 90 per cent of the population of Ontario and Quebec in one of the world's longest continuous corridors of cellular service. At year-end 1993, Bell Mobility Cellular had some 421,000 subscribers, a 28 per cent increase over 1992. Digital cellular service was launched in November 1993.

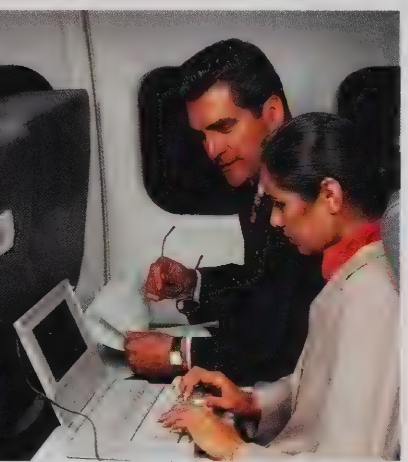
As a member of Mobility Canada, a consortium owned by the wireless units of 12 Canadian telecoms, Bell Mobility Cellular can offer subscribers use of their mobile phones across the country.

Mobility Canada is also a participant in MobiLink, an association of 14 North American mobile communications companies that permits Canadian subscribers visiting the U.S. to link into cellular systems by dialing a two-number code.

As people grow accustomed to cellular mobility, they are asking for services such as data applications, fax machines and laptop computers for wireless transmissions. A new wireless transmission service, called *Datapac Mobile,* is jointly offered by Mobility Canada and Stentor. Customers can now access their office E-mail and databases from their cellular telephones, hooked to laptop computers.

Bell Mobility Paging, with 181,000 pagers in service, is Canada's largest paging company, offering a range of enhanced services such as bilingual, 24-hour message delivery service, an extensive voice mail system, international paging network and customized cellular and paging packages. During the year, the company sold its operations in western Canada and its remaining telephone answering service operations in Toronto and Montreal, in order to focus on paging markets in Ontario and Quebec.

Cellular at sea: Dartmouth-based Secunda Marine Services Ltd. operates ocean-going tugs for offshore oil and gas operations, including the Triumph Sea, whose captain Douglas Corkum uses MT&T Mobility Cellular for fax and phone.



Skytel service on Air Canada's North American fleet will permit passengers to make and receive calls, data and facsimiles. Skytel will offer satellite telecommunications services on Air Canada's international fleet as well.

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The modern pager provides not only a "beep" – or a discrete vibration – but also a screen on which telephone numbers or messages appear. The *NewStream* data receiver has no screen, but can be plugged into a laptop, notebook or palmtop computer, to provide one-way wireless communications for E-mail or data transfer.

Bell-Ardis provides a national mobile data radio network for packet data transmission. This service is ideal for employees who are often out of the office, but who need to file and receive information in the field. Clients include IBM Canada, Otis Canada Inc. and Bell Canada's repair and installation services.

Skytel Communications is familiar to anyone flying on Air Canada's North American routes as the supplier of the passenger telephone service in Canada. In 1993, Skytel won a major contract to provide Air Canada with GTE Airfone's *GenStar* fully digital voice and data systems. Installation will begin in March 1994 and will allow passengers to make and receive calls, organize conference calls, and to send and receive data and facsimiles from their seats 35,000 feet in the air.

Also in March, Skytel will begin offering satellite telecommunications services on Air Canada's international fleet, ensuring telephone and fax communications anywhere in the world.

Bell Mobility Radio is a highly specialized service that designs voice and data mobile radio systems and integrates mobile communications hardware, software and terminals into working systems. Customers include the Toronto and Montreal transit services, fire departments, ambulance services and police departments.

Messages from space

BCE in 1993 announced an investment of some $120 million over the next several years in TMI Communications and Company, Limited Partnership. TMI Communications will launch *MSAT,* a satellite that, starting in 1995, will allow Canadians to place telephone calls, send fax correspondence and maintain computer data connections over the wireless network anywhere in North America. MSAT is being developed through the collective expertise of TMI, Telesat Canada, Spar Aerospace and Hughes Aircraft. To date, TMI has commitments of more than $170 million of satellite time.

BCE Mobile and Bell Canada International Inc. are participating in the *Iridium Satellite Communications* project, joining an international consortium led by Motorola Inc. The Iridium system will provide global digital service through 66 low-earth-orbit satellites to hand-held cordless telephones.

PrimeLine service means business people can keep contact with important clients, even when travelling. Their PrimeLine personal telephone number can be directed to any direct-dial telephone in the world, or programmed for a call management option.

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Mercury Communications has constructed an all-digital, optical fiber network accessible to 90 per cent of the U.K. population.

Bell Canada International Inc. (BCI) is responsible for BCE's investments in international telecommunications markets. At year-end, BCI had an invested capital base of $1.2 billion. BCI seeks out investments internationally that provide a synergy with BCE's other telecommunications activities.

BCI was formerly known as BCE Telecom International Inc. (BCETI).

To date, BCI has invested in cable television in the United Kingdom, as well as in competitive telecommunications providers in the U.K. and New Zealand. BCI has also announced a major investment in Jones Intercable, Inc. in the United States.

BCE plans to increase investments in the U.S., and to invest in rapidly growing global telecom markets, including Asia Pacific and Latin America. These investments bring new sources of income outside the highly regulated Canadian market. They also provide means of participating in new technology and services, such as delivery of telephone and cable television services over the same network infrastructure.

BCI also provides consulting services in management and operations and carries out turnkey projects for governments and private companies internationally, transferring expertise in all aspects of telecommunications. In over 20 years, BCI has completed several hundred contracts in more than 70 countries.

Cable Investments

Jones Intercable

BCI entered the cable television market in the U.S. with the announcement, late in 1993, of a proposed major investment in Jones Intercable, Inc. of Englewood, Colorado. The transaction, which is subject to negotiation of definitive agreements, is expected to close in mid-1994.

Jones Intercable is among the 10 largest cable television operators in the U.S., and with its affiliates serves 1.3 million basic subscribers in 55 cable systems. Some 60 per cent of Jones Intercable subscribers are served by fiber technology, which not only provides better service now, but also capacity to carry interactive, multimedia and telephone services in the future.

The company is highly regarded both for its innovative financing and growth strategies and for its forward-looking educational programming.

BCI agreed to purchase 30 per cent of Jones Intercable, for a total of US $275 million, and will invest up to US $125 million in any future equity financings. BCI will also acquire for US $55 million the option to purchase control of Jones Intercable.

In the U.K., Jones Intercable and BCETI Cable Limited have a partnership in Encom Cable TV & Telecommunications Limited, in which BCE has a majority position while an affiliate of Jones Intercable owns 15 per cent.

Cable Phone Investments

BCI has invested in cable operators in the U.K., where cable television distributors may also provide a complete range of telecommunications services, including local and long distance telephone service. BCI plans to maximize investments in this market where the number of cable subscribers increased by 33 per cent in 1992, while the cable telephone lines installed increased by 500 per cent.

Optus Communications, Australia's newest telecommunication carrier, is a customer of Bell Canada International. It has installed a Computerized Customer Services System (CASS), developed jointly by BCI and Telekom Malaysia Berhad.

BCETI Cable Limited, owned 80 per cent by BCI and 20 per cent by Cable and Wireless plc, holds 30.8 per cent of Videotron Holdings Limited and 84 per cent of Encom. These companies are building new, high-capacity, optical fiber networks capable of delivering entertainment, information and telecommunications services.

Encom

Encom offers both entertainment and communications services in a 425-square-mile franchise area in East and Southeast London as well as in parts of Essex and Kent. With corporate headquarters in London's Docklands, Encom has a substantial share of the area's telecom business, including major corporate clients.

Encom's seven franchise areas cover a total of 787,000 homes and 51,000 businesses. Encom's 1993 revenues doubled to $11.5 million.

In September, Encom launched a three-phase, $30-million project to introduce switching capacity into its network, the second London-based cable operator to do so after Videotron.

Videotron Corporation

Videotron Corporation Limited is London's largest cable TV and telecommunications operator, offering service in a franchise area covering one million homes, plus a further 100,000 homes in Hampshire. The Videotron network has some 73,000 customers for cable TV and some 34,000 for cable telephony. Telephone services have shown remarkable growth, up from 2,600 customers last year. Revenues for 1993, year-end August 31, were $43 million.

London Interconnect

Videotron, Encom and four other London cable operators have formed the London Interconnect Group which will offer London residents advanced television services such as pay-per-view, new cable-exclusive programming, and regional advertising. The consortium also plans to provide an alternative telephone network among cable franchises across all of Greater London.

Wireline Investments

Mercury Communications

Mercury Communications, in which BCI has a 20 per cent interest, provides local, long distance and international telecommunications to businesses, individuals and government offices throughout the U.K. The other 80 per cent interest in Mercury is held by Cable and Wireless plc.

Mercurycard Phones accept colourful Mercurycards that are discarded when the value is used up. A new "Calling Card" service permits customers to make calls from virtually any telephone worldwide.


NOKIA

Mercury's results for the six months ending September 30, 1993, showed revenue up 24 per cent to £701 million and an operating profit of £99 million. Mercury's share of the British telecommunications market stands at 11.5 per cent, with 1.3 million lines installed.

Mercury, which initially aimed its services at large corporations and institutions with major long distance requirements, is now making inroads into the residential market, with a 30 per cent increase in call volumes.

Subscribers now reach Mercury's optical fiber network via the installed local network of British Telecommunications plc (BT) or via cable operators, including Encom and Videotron, who provide the link between Mercury's network and the customers' homes and businesses.

To lower its fixed costs and extend service to smaller customers, Mercury is investigating linking subscribers to its network via wireless radio technology. Pilots and trials are scheduled for 1994.

Mercury manages several private networks for major corporate and government customers, and has won a five-year contract to manage the British government's long distance network, one of the largest private networks in the U.K.

Mercury has significantly expanded its international *Premier ISDN Service* and now offers routes to Europe, Australia, the Far East and the U.S. Premier ISDN is used for dial-up video conferencing, local area network (LAN) interconnection, file transfer and high-speed digital fax, and is offered at a considerable price advantage to BT.

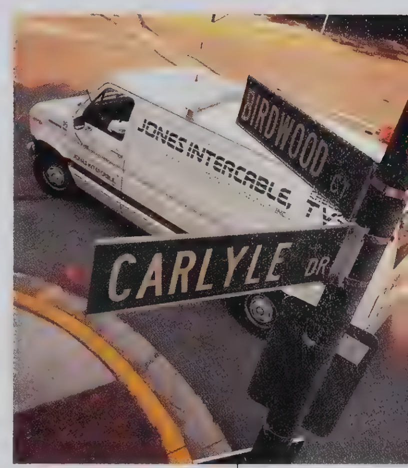
CLEAR Communications

New Zealand has also made strides in promoting competition within the telecommunications industry. BCI holds 21.25 per cent interest in CLEAR Communications Limited, which provides national and international toll and digital leased services in competition with Telecom New Zealand. CLEAR's all-digital optical fiber and microwave radio network is accessible to some 85 per cent of the New Zealand telephone market.

CLEAR awarded a NZ$ 6.7 million contract to Northern Telecom for the first phase of a major optical fiber expansion project, to be completed in 1996. CLEAR is also installing CCITT-7 signaling, the international equivalent of the CCS-7, and an intelligent network platform that will bring services such as virtual private networks.

BCI Incorporated

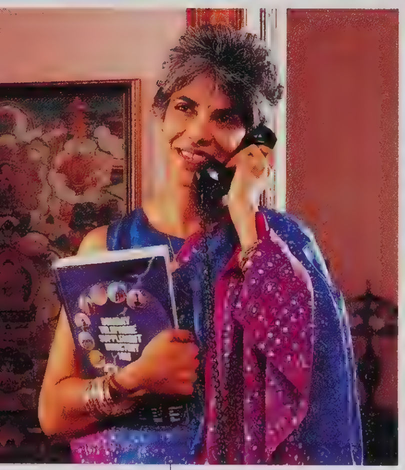
In the United States, BCI Incorporated and Protocol Telecommunications Services Inc., headquartered in Chantilly, Virginia, provide consulting services in packet networking, voice and radio transmission, telephone switching and, starting in 1993, desktop computer networking. Clients include U.S. Bell operating companies, interexchange carriers and large corporations.



Jones Intercable is a leading cable company in the United States, noted for its innovative educational network. BCI has announced a 30 per cent equity investment in Jones.

In the U.K., BCI's cable TV subsidiary Encom provides both television and telephone service, with access to Mercury's network for long distance and international calls. Bill Goodwin, network operation controller, helps manage the Encom cable system, which includes telecom switches.

Directories



"Hello, Mrs. Ahuja, namaste!" Tele-Direct International, through its investment in M&N Publications, provides telephone directory services in nine Indian cities, including Bombay.

The BCE Directories group does business in Canada, the United States and overseas, generating net earnings of $61 million in 1993, equivalent to $0.20 per BCE common share. All operating units performed satisfactorily in a difficult economic climate. The sale last year of two U.S. directories businesses caused a decline in the group's 1993 revenues and contribution, compared to 1992.

Tele-Direct (Publications) Inc., a wholly owned BCE subsidiary with revenues of $489 million in 1993, provides directory services (white pages and *Yellow Pages* directories) throughout Bell Canada's operating territory. Tele-Direct (Services) Inc. produced an additional $41 million of advertising revenues under contracts with other Canadian telecoms.

Tele-Direct employs some 1,900 people in Canada, and 2,700 people worldwide.

Tele-Direct's white pages directories list some 10 million residential and business entries, while 300,000 business customers advertise in 108 directories and 230 Yellow Pages directory sections. Yellow Pages directory advertising has moved up into fourth place in Canada, behind newspapers, TV and direct mail and ahead of radio, in attracting advertising dollars, and represents over nine per cent of total dollars spent on advertising.

Tele-Direct has added new directory features such as *Community Pages, Talking Yellow Pages* and a *Postal Code Section* to directories in certain Ontario markets: Sault Ste. Marie, Niagara, Windsor and Hamilton. Tele-Direct expects to expand these features, long available in major metro markets, to other markets in 1994. Talking Yellow Pages service offers up-to-date information on a wide variety of topics such as sports, weather and business.

The company continued its major financial commitment to pre-press graphics capabilities. Tele-Direct can now design and typeset in-house all advertisements and paginate both white pages and Yellow Pages directories. This will save costs, improve service and shorten production cycle time.

Environmental standards

Tele-Direct has taken the initiative in promoting environmentally sound production and disposal of directories. The paper used contains recycled fibers and is 10 per cent lighter than in the past. The ink used for printing is now vegetable-based and the glue is water-soluble, to permit recycling.

Together with Bell Canada, Tele-Direct encourages research at Canadian universities into innovative uses for old directories, including composite products such as tiles and table-tops, low-strength concrete, paper carton products such as egg-trays and animal bedding used by facilities such as the Metro Toronto Zoo.

Tele-Direct International

Tele-Direct is expanding internationally, securing new revenue sources in growing telecommunications markets. Tele-Direct's Canadian experience in providing full-service directory production is winning new customers. Total gross advertising revenues serviced by Tele-Direct's international operating companies in 1993 were $38 million.

In the United Arab Emirates, Bahrain, Oman and Kuwait, Tele-Direct International publishes directories through joint ventures, and revenues have steadily grown, improving 15 per cent in 1993. Egypt Yellow Pages Ltd., which began publishing directories in Cairo, Alexandria and the Suez Canal in 1992, improved sales by 86 per cent in 1993. Tele-Direct brought out the first Jordan Yellow Pages directory in 1993, in partnership with a local company. Tele-Direct has a five-year full-service agreement with Jordan's Ministry of Telecommunications.

The company's major expansion in 1993 was in India. Tele-Direct International, through its 40 per cent interest in M&N Publications Inc., won a five-year exclusive publishing contract covering Delhi and Bombay. Provision of world-class directory services is part of the Indian government's commitment to improving the telecommunications system of the world's second-most-populous country.

M&N Publications now publishes telephone directories in nine Indian cities: Bombay, Delhi, Madras, Bangalore, Mangalore, Coimbatore, Coonoor, Cochin and Hyderabad. A team of Canadian managers directs some 650 local employees in establishing and developing this new business.

Tele-Direct has an 86 per cent interest in the Caribbean Publishing Company Ltd., acquired in 1992. The firm produces 11 white pages and Yellow Pages directories in the Caribbean, including Grand Cayman, Aruba, Antigua, St. Lucia, Monserrat and St. Kitts. This new venture expanded Tele-Direct's revenue base by $7.5 million in 1993.

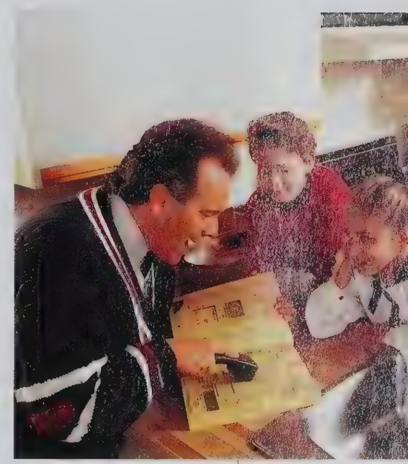
In Australia, Tele-Direct holds a 12.25 per cent equity position in Pacific Access Pty. Ltd., a joint venture that provides marketing services including Yellow Pages directory sales for all of Telecom Australia's directories.

Tele-Direct has developed the concept of activity-related directories through its U.S. subsidiary, Activity Directories International, Inc. In the fall of 1993, ADI published the first Yellow Pages of Skiing directory, to be followed by a Yellow Pages of Golf directory in the spring of 1994.

Innovation to stay ahead

The sluggish economy in Canada, particularly in Ontario, caused Tele-Direct revenues to remain flat in 1993. However, Tele-Direct is taking vigorous measures to increase domestic revenues by creating more value for established customers, by attracting new customers, by introducing new products and services, and by entering new markets and new businesses.

Yellow Pages is the best-known name in directories, and Tele-Direct is building on this product familiarity. Internationally, Yellow Pages directories are finding new markets and are becoming a tool of economic growth. Printed directories will maintain an important role in Tele-Direct's markets. However, media such as television, personal computers, screen phones and personal digital assistants and transmission by cable, telephone and wireless will augment the printed directory.



"The hamburger's frozen and the children are hungry..." Yellow Pages directories provide quick reference for restaurants, take-out food or any other business you need to contact right away.

At Shenzhen in China, Zeng Meihong, an employee of the Tong Guang-Nortel joint venture, assembles Meridian PBX equipment for sale within China. Some 350,000 lines of Meridian are installed in China.

Northern Telecom Limited is a leading global manufacturer of telecommunications equipment, providing products and services to communications companies, corporations, governments, universities and other institutions worldwide. Northern Telecom has some 60,000 employees worldwide, and 1993 revenues were US $8.15 billion.

Something for everyone

Northern Telecom's products cover all aspects of telecommunications: the *DMS family* of digital switches that route calls for public networks; the *Magellan* portfolio, including broadband multimedia and networking products; *Meridian 1,* the world's best-selling private branch exchange (PBX) for offices; wireless switches and radio equipment; and *FiberWorld* transmission equipment.

Northern Telecom software, integrated on DMS switches, provides features for the home, such as caller ID, voice mail and number memory, that are similar to those offered by Meridian PBX systems at the office. *VISTA, Rhapsody* and *Interlude* telephone sets, with luminous display screens, offer access to these features. The new *Meridian 8000* and *9000* series business telephones link office and home technology, giving businesses access to the custom calling features of the public network.

Networking the home and office

Northern Telecom is devising the technology that is bringing powerful interactive broadband multimedia networks to both business and residential customers. Broadband multimedia means that voice, data, image and high-quality video can be transmitted together at extremely high speed.

Magellan data networking products can link computers across thousands of miles in wide area networks (WANs). More than 125 *Magellan DPN-100* systems are installed in some of the world's biggest networks.

Businesses can enjoy the newest high-speed service without changing installed equipment. The *LANMaximizer* product line includes the X-DDI backbone products that deliver high-speed data on local area networks (LANs) on Ethernet or token ring systems, even over regular copper cables.

Multimedia networking is also coming to wireless technology. Northern Telecom's *DMS-MTX SuperNode* digital cellular switches (*DMS-MSC* on the international GSM [Groupe spécial mobile] standard) support high-speed mobile data transmission for wireless networking.

ATM in the news

Asynchronous transfer mode, or ATM, is often heralded as the next technology of broadband media. ATM is sometimes called "cell technology" because it involves sending "cells" of digital signals over optical fiber cable. As a two-way technology, it can provide "interactive" communications: the customer can respond to, control or manipulate what appears on the screen.

The potential market for ATM includes nearly everyone: telecoms, for multimedia services such as video and data networking; corporations, for business networks; governments and institutions, for interactive distance learning, remote medical imaging and criminal justice; and residential customers for information services, video-on-demand, home shopping, education and interactive games.

In 1993, Northern Telecom announced three ATM-based switching products as part of its Magellan family. The goal is to provide end-to-end ATM networking systems, so customers can fill all their requirements from Northern Telecom.

The *Magellan Passport* switch supports both packet and frame relay networks, and will allow them to evolve towards ATM cell technology. The *Magellan Gateway* network access switch is designed for local and long-distance telecoms, cable operators and large commercial networks.

The Magellan Gateway switch is being deployed in an optical fiber network in the Ottawa-Carleton region as part of Canada's first ATM network dedicated to research and development, OCRInet.

The *Magellan Concorde* high-capacity "backbone" network switch, announced for 1995, will enable cable television and telecommunications carriers to deliver multimedia services to the home and office.

Wireless wave of the future

Northern Telecom manufactures switches for cellular companies around the world. The DMS-MTX group of switches operates on the North American cellular standard, while the DMS-MSC operates on the GSM standard used widely elsewhere in the world. These two cellular switches are the most powerful on the market.

The joint venture with Matra Communication of France, Nortel Matra Cellular SCA, has installed GSM-based systems in Europe and Asia. Nortel Matra is also participating in tests of GSM equipment in the U.S.

The market for low-power wireless personal communications services (PCS) is expected to expand rapidly in the near future. In January 1993, the Canadian government selected four consortia to build and operate national two-way telepoint services based on the CT2-Plus standard, developed by Bell-Northern Research. In the U.S., the Federal Communications Commission (FCC) in September tripled the available wireless spectrum and will auction spectrums in 1994, starting a rush to provide the next generation of wireless services.

Magellan products are in service at the new Paris headquarters of SITA, whose Mega Transport Network coordinates data among more than 36,000 airline and travel offices worldwide.

Northern Telecom highlights	**1993**	1992
(US $ millions except per share amounts)		
Revenues	**8,148**	8,409
Net earnings (loss)	**(878)**	548
Contribution to BCE consolidated earnings	**(Cdn $583)**	Cdn $342
Contribution to BCE earnings per share	**(Cdn $1.90)**	Cdn $1.11
Total assets	**9,485**	9,379
R&D investment	**923**	864
Number of employees	**60,293**	58,241

Northern Telecom's DMS-10 switches route calls in many rural and suburban Japanese communities such as Hida Takayama in Gifu Prefecture, where this schoolgirl phones home.

In Los Angeles, Pacific Bell is upgrading its network with Northern Telecom optical fiber equipment. Rachel Stone and Tom Bailey of Northern Telecom look over a site with Randy Strahan and Manuel A. Eleccri (in the lift) of Pacific Bell.

Northern Telecom is participating in a project with three other companies and MCI Communications Corporation to speed the development and deployment of PCS technology in the U.S.

Companion system takes off

In 1993, Northern Telecom exported from Canada more than 1,000 *Companion* digital wireless communications systems. The Companion family was launched in Hong Kong in late 1992, and in Europe, the Mideast, and Canada in 1993, and more than 100 systems are being used in trials in the U.S.

The Companion 100 system permits customers to add up to 80 portable telephones to any brand of PBX or key system. People can make and receive calls and use all the office system features anywhere in the work place, which is particularly useful for large work areas such as factories, department stores, schools and hospitals.

Asia Pacific banner year

Northern Telecom's revenue showed strong year-over-year gains in the Asia Pacific market, led by revenue growth in the People's Republic of China.

In June, Northern Telecom and the State Planning Commission of the People's Republic of China signed a memorandum of understanding covering a broad range of projects that will help modernize China's telecommunications infrastructure. During 1993, Northern Telecom did business in China worth some US $300 million, encompassing DMS switching systems, DPN-100 data networking equipment, Meridian PBXs and digital microwave equipment. A new business unit called Nortel China, based in Beijing, will manage operations on the mainland, Taiwan and Hong Kong.

In South Korea, Northern Telecom will provide DACOM Corporation, South Korea's second licensed telecom carrier, with Asia's first advanced SONET *ring-topology optical fiber transmission system,* linking 15 major centres around the country. Ring technology is "self-healing": that is, if one cable is put out of service, transmissions pass on another portion of the network.

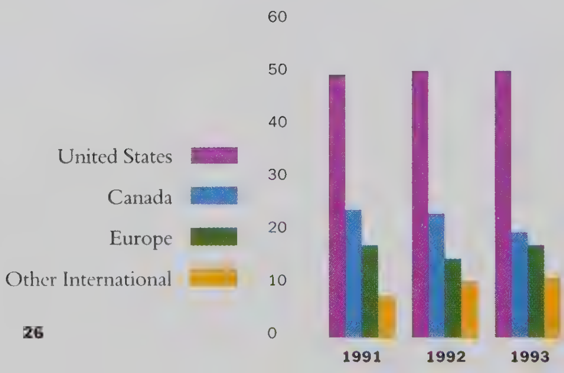
In early 1993, Japan's Nippon Telephone and Telegraph (NTT) placed a US $270-million order for *DMS-10* switches, which are used to manage public telecommunications in suburban and rural communities. One million subscribers in Japan are now served by DMS-10 switches, a number this new contract will double.

North America still biggest market

In the U.S., telecoms are gearing up for vast changes in the nature of the services they offer.

Pacific Bell, serving California, is installing a Northern Telecom broadband optical fiber network statewide, as a major element in a US $650-million five-year program to establish an ATM broadband network.

Northern Telecom revenues by geographic area
(%)



In Toronto, the new Canadian Broadcasting Corporation building is equipped with one of the world's most advanced PBXs, a Northern Telecom Meridian 1 Option 71 digital system, installed by Bell Canada.

MCI Communications signed a US $250-million supply agreement to purchase *S/DMS TransportNode* OC-48 SONET FiberWorld equipment to boost its network rate of transmission, adding to its installed base of 20 TransportNode systems purchased in 1992.

NYNEX, serving the northeastern United States, has signed a long-term contract to modernize more than 1.7 million customer telephone lines using Northern Telecom's *S/DMS SuperNode* switching systems.

AGT Ltd., the telecom unit of Telus Corporation of Alberta, announced plans to install Northern Telecom's SONET ring technology throughout its optical fiber network over the next four years, an investment of between $50 and $70 million.

Newfoundland Telephone, a subsidiary of NewTel Enterprises, signed a $49-million switching modernization agreement with Northern Telecom to accelerate conversion of its network to fully digital technology.

A $1.1-billion supply contract, covering 1992 and 1993, will permit Bell Canada to achieve 95 per cent digital service in 1994.

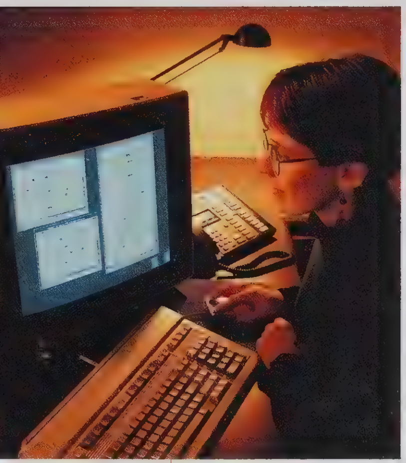
European market opening up

Europeans are investing in telecommunications infrastructure, as state-owned monopolies are privatized or exposed to competition. Northern Telecom has joint ventures in France, Spain and Turkey, and works with more than 20 business partners across Europe. FiberWorld SDH (Synchronous Digital Hierarchy, the European version of SONET) transmission equipment is now on trial or on order from 20 European network operators, including British Telecommunications plc (BT).

In Paris, the airlines' global telecommunications services provider, SITA, ordered 31 DPN-100 data switches to expand its Mega Transport Network, the world's largest data network. The SITA network includes 300 DPN-100 systems, connecting 200 countries.

In the United Kingdom, Northern Telecom will supply *DMS-100* switches to TeleWest Communications Group Limited, the country's largest cable television and telephony operator. British cable TV companies also offer telephone services, so are installing switching capacity.

In Hong Kong, Michelle Tam of The High Fashion Garments Co. finds the Companion cordless phone system a valuable tool for remaining in touch while away from her desk.



At BNR, Jane Dunlop devises powerful software tools that will speed up design of software for DMS switches, which route calls for public networks worldwide.

Bell-Northern Research

BCE is committed to research and development as fundamental to corporate growth. In 1993, BCE spent a total of $1,244 million on R&D, compared with $1,105 million in 1992. BCE's R&D is performed largely through its subsidiaries Northern Telecom Limited and Bell-Northern Research Ltd. (BNR). The R&D and marketing arm of the Stentor alliance, Stentor Resource Centre Inc., in which BCE has a 51.3 per cent interest, accounted for some $100 million of BCE's research expenditures. Bell SYGMA, Bell Canada's computer solutions subsidiary, also performs R&D and manages an R&D portfolio in excess of $20 million.

BNR, the largest research and development institution in Canada, is 70 per cent owned by Northern Telecom and 30 per cent by Bell Canada. BNR's worldwide R&D expenditures in 1993 totalled US $1,071 million, compared with US $959 million in 1992.

The results of the BCE commitment to R&D are evident: BNR has been a trailblazer in the areas of digital technology and fiber optics, and is now bringing to market broadband multimedia products. BNR has designed major systems for Northern Telecom that are world leaders in their market segments. These include the *DMS family* of digital switches; the *Meridian 1* business communications system; the *DPN-100* data networking switch; the *DMS-MTX SuperNode*, the world's largest-capacity cellular switching system; and the *Meridian Norstar* digital key telephone system.

BNR's 9,500 employees are based at laboratories in Canada, the United States, the United Kingdom, Australia and Japan, and in smaller development teams close to customers in other countries around the world. BNR's headquarters, located on a 360-acre campus at Nepean, Ontario, adjacent to Ottawa, includes Canada's largest telecommunications R&D facility, a $100-million, 600,000-square-foot lab officially dedicated in May 1993.

If you build it, will they come?

The future world of telecommunications is taking shape. Telecommunications technology is converging with computers and cable television. The future appears to hold multimedia networking, with homes and offices interconnected with interactive video, data, image and voice services, all transported over a hybrid network of optical fiber cable, coaxial cable, copper wire or wireless radio systems.

To ensure that it develops the products needed by whatever form of technology eventually emerges, BNR works very closely with organizations such as Bell Canada, Stentor and Bellcore (Bell Communications Research, Inc., the

research arm of the U.S. regional operating companies), as well as with other major customers, cable distributors, academic research communities and technical centres at universities worldwide.

FiberWorld

The core transmission system of future multimedia services will centre on optical fiber technology, where Northern Telecom is a world leader. Its digital optical fiber access and transport products are marketed worldwide under the *S/DMS FiberWorld* family name. FiberWorld products are based on the SONET (Synchronous Optical Network) standard used in North America and its international equivalent, SDH (Synchronous Digital Hierarchy).

Optical fiber transmission delivers telecommunications at the speed of light, propelled by lasers over strands of pure glass. Deployment of optical fiber is driven by the huge increase in worldwide use of telecommunications: only optical fiber networks have the capacity to carry this burgeoning traffic, and to handle the enormous increase in capacity needed for the broadband multimedia networks expected by mid-decade.

FiberWorld networks are also highly resilient to service outages caused by accidents such as cable cuts. BNR-developed *SONET ring technology* makes networks "self-healing" because traffic can be routed in either direction around a ring of network nodes, providing at least two routes to any point on the network. If any point on the ring is severed, traffic is automatically directed to the alternate route.

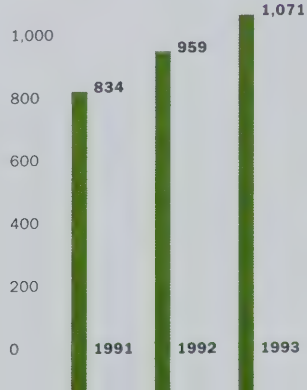
BNR developed the *S/DMS TransportNode* system that is one of the world's highest-capacity vehicles for interconnecting the public telephone companies' central-office switches over optical fiber cables. More than 5,000 S/DMS TransportNode systems have been shipped since they first went on the market in 1991; S/DMS TransportNode systems now link Canada coast-to-coast in Stentor's 6,000-kilometre all-optical fiber network.

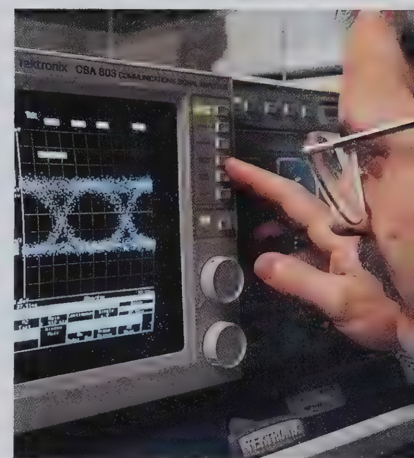
In late 1993, Northern Telecom brought to market the *S/DMS AccessNode,* the second major element in the FiberWorld network. The S/DMS AccessNode system, in effect, provides the optical fiber link between the central switching office and the subscriber's home or office. It permits the network to deliver, with the capacity and speed of optical fiber technology, all residential and business services, whether the final few yards are copper, optical fiber, or wireless connections.

The S/DMS AccessNode system solves a major issue facing the telecoms: how to deploy new services quickly to customers and how to deal quickly with requests for changes in service. Instead of costly and time-consuming visits by a technician to a telephone office to make the changes, the BNR-developed *service-adaptive line card* permits fast service response by downloading software remotely over the network: an industry first.

TMI Communications will launch MSAT, a satellite that will provide wireless voice and data services anywhere in North America by 1995. Here, MSAT is being assembled and tested by Spar Aerospace Limited in Ottawa.

Bell-Northern Research Worldwide R&D expenditures
(US $ millions)





Claude Rolland, of BNR's scientific staff, studies the signaling characteristics of a key device in tomorrow's optical fiber-based multimedia networks.

Further directions in fiber

BNR scientists and engineers are working on two fronts to increase the traffic-carrying capacity of existing fiber networks. On one front, they are developing transmission systems that will quadruple the speed of fiber networks to 10 billion bits per second, from the present 2.4 billion bits per second.

On the second front, BNR is employing a technique called wavelength division multiplexing that allows a single fiber to carry more than one wavelength at the same time. Today, a single wavelength system operating at 2.4 billion bits per second can transport 32,000 simultaneous voice calls over a pair of optical fibers. In the near future, wavelength multiplexing and increased transmission speeds will permit that fiber pair to carry 384,000 simultaneous calls.

BNR is also working on routing of optical signals. Now, light signals, or photons, on the optical fiber network must be converted into electronic signals for switching, then reconverted into photons for transmission. In future, the switch itself may be based on optoelectronics.

Expanding the envelope

Even in the most modern networks, the optical fiber "superhighway" often ends about 100 meters from most customers' premises, with a copper wire or coaxial cable assuring the final link. It would be costly and impractical to replace all this installed copper and coaxial cable with optical fiber. BNR and Bell Canada are testing ways of extending the optical fiber lines directly into the home, but future networks will probably involve a combination of fiber cable to businesses and high-density apartment blocks, with copper or coaxial cable into individual homes.

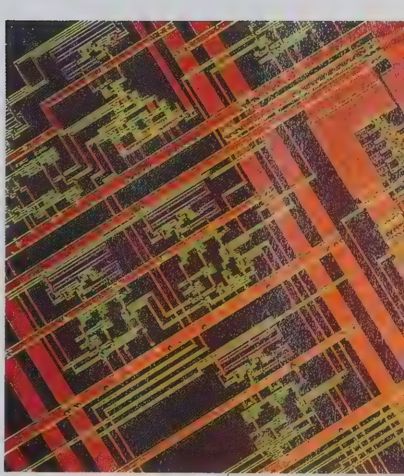
Using new digital compression techniques, BNR has expanded the capacity of the copper wire enormously. Northern Telecom's *IBDN (integrated building distribution network)* cable delivers high-speed data and connectivity up to 100 meters over ordinary copper lines. This permits local area network (LAN) computer connections over copper wire. IBDN can support ISDN, which means that multimedia – voice, data, image and video – can be transmitted to customer premises without rewiring.

Software initiative

Northern Telecom on July 21, 1993, announced that it had established a US $252-million pre-tax provision for a *"DMS software initiative."* The initiative involves the 25 million lines of software code that have enabled the DMS family of switches to become a cornerstone of public telecom networks worldwide.

The initiative will organize DMS software into a modular architecture, correcting certain operating issues and enhancing the operation and performance of DMS switches. The initiative will reinforce the position of BNR and Northern Telecom as industry leaders in rapid delivery of new features that meet specific customer requirements.

The development phase of the software initiative is expected to be substantially complete in 1994, with market rollout planned for 1995.



This BNR-designed microchip, known as a "super decoder," is used to ensure error-free transmission of data traveling in optical fiber systems operating at 10 billion bits per second.

The information highway starts in this BNR laboratory in Nepean, Ontario, where BNR researcher Peter Ashton is testing broadband multimedia technology. The highway will reach to businesses and homes, bringing interactive communications, information and entertainment.

Human Resources

In Whale Cove, Northwest Territories, on upper Hudson's Bay, Northwestel community worker Leonard Teenar ensures modern all-digital service.

BCE companies operate around the globe, in a variety of cultures, languages and business environments. Even the 70 per cent of our employees who live in Canada do not fit any mold, except for the high priority they place on personal competence and on the performance of their work teams and company. This year again, for example, Bell Canada has placed first in a Goldfarb poll as the best corporate citizen and employer in Canada.

Skilled and knowledgeable employees are truly BCE's competitive advantage. Telecommunications is a high-technology business, where all employees, no matter what their job, must constantly learn new ways to work.

BCE offers education assistance programs, where employees are reimbursed tuition for courses completed successfully at outside institutions. Many have completed degrees, including advanced university degrees, on such programs.

Schools are also the seedbeds for future employees. BCE companies maintain close links with educational institutions.

As examples, the Bell Education Network Teachers' Workshops held this year in Toronto and Quebec City brought elementary school science teachers together to work on ways to enhance science teaching and to learn to use modern telecommunications technology such as video conferencing.

Northern Telecom and Bell-Northern Research bring high school students, teachers and R&D professionals together to encourage careers in science and engineering, particularly for young women. In the past five years, BNR has hired more than 1,000 graduating Canadian university students and provided part-time jobs for more than 3,500 undergraduates.

BCE companies also offer their own educational programs, geared for their specific requirements.

Bell Canada

The Bell Institute for Professional Development was formed in 1990 to lend a focused approach to education and training programs.

In 1993, the Institute invested $84.5 million in training, or $1,854 per employee. Training is focused on total quality, sales and product knowledge, and technical skills.

Northern Telecom

Northern Telecom provides continuing education in engineering, technology and other functional subjects, including extensive product training.

With plants and offices around the world, Northern Telecom must keep its employees aware of their stake in the entire company. Leadership Forums, held around the world, provide training for employees at key transitions in their careers.

Teamwork across the organization: Technician Maurice Routhier installs a new telephone jack in the home of little Catherine Baril in Quebec City. Meanwhile in Montreal, employees at the Network Operations Centre manage Bell Quebec's entire long distance network.

Bell

Financial Review

Highlights

BCE's loss per share for the year was $2.44 compared with earnings per share of $4.21 in 1992. Revenues for the year were $19.8 billion, up 1.3 per cent over 1992 revenues of $19.6 billion. The 1992 earnings per share grew 5 per cent over the $4.01 reported in 1991, while 1992 revenues grew 5.8 per cent over the $18.5 billion achieved in 1991.

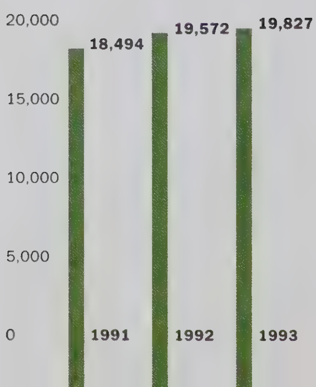
BCE had net earnings from continuing operations of $159 million in 1993, compared with $1,486 million in 1992 and $1,307 million in 1991. The net loss from discontinued operations was $815 million in 1993, compared with a net loss of $96 million in 1992 and net earnings of $22 million in 1991. Montreal Trustco Inc. (Montreal Trustco) and BCE's interests in BF Realty Holdings Limited (BF Realty) and Brookfield Development Corporation (Brookfield) are reported as discontinued operations. For 1993, the net loss applicable to common shares, after payment of preferred dividends, was $750 million, compared with net earnings of $1,295 million in 1992 and $1,235 million in 1991.

BCE's results for 1993 reflected the after-tax impact to BCE of $624 million from Northern Telecom's second-quarter special charges, and the fourth-quarter special after-tax charges of $750 million resulting from the proposed sales of discontinued operations and $70 million provision relating to BCE's investment in Telesat Canada.

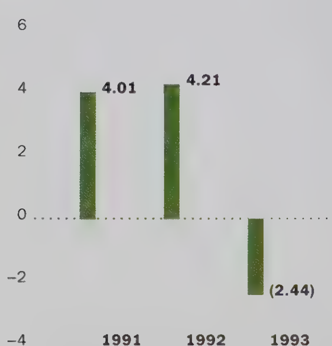
BCE's results reflected the following components:

($ millions)	**1993**	1992	1991
Earnings (loss) after tax from:			
Continuing operations			
- earnings excluding the undernoted items	**761**	1,320	1,243
- Northern Telecom's special charges	**(624)**	–	–
- gains on sales of corporate investments	**22**	166	64
- earnings from continuing operations	**159**	1,486	1,307
Discontinued operations	**(815)**	(96)	22
Net earnings (loss)	**(656)**	1,390	1,329
Dividends on preferred shares	**(94)**	(95)	(94)
Net earnings (loss) applicable to common shares	**(750)**	1,295	1,235

Revenues
($ millions)



Earnings (loss) per share
($)



The decline in earnings from $1,320 million in 1992 to $761 million in 1993 was mainly due to lower margins at Northern Telecom, and lower toll revenues and higher operating expenses at Bell Canada. A more detailed analysis of financial performance for the five BCE operating groups follows.

BCE is Canada's largest telecommunications company. With the agreements to sell Montreal Trustco, BF Realty and Brookfield, which are expected to close in 1994, BCE will have divested all of its significant non-telecommunications investments. Upon completion of the sales of Montreal Trustco, BF Realty and Brookfield, BCE will own 10 million common shares of The Bank of Nova Scotia (BNS), Montreal Trustco properties of approximately $100 million and a 70 per cent interest in the Montreal office building where BCE and a number of its subsidiaries maintain their headquarters for a cost of $25 million plus the assumption of approximately $150 million of bank and other property-related indebtedness. BCE can now focus its full attention on its telecommunications businesses, which comprise five groups: Canadian Telecommunications, Telecommunications Equipment Manufacturing, International Telecommunications, Directories, and Corporate.

The results by operating group follow:

		($ millions)	
Revenues	**1993**	1992	1991
Canadian Telecommunications	**8,614**	8,415	8,151
Telecommunications Equipment Manufacturing	**10,550**	10,222	9,379
International Telecommunications	**138**	118	127
Directories	**525**	694	722
Corporate	**–**	123	115
Total revenues	**19,827**	19,572	18,494

Contribution to Net Earnings (Loss) Applicable to Common Shares			
Canadian Telecommunications	**749**	945	889
Telecommunications Equipment Manufacturing			
– special charges	**(624)**	–	–
– other	**41**	342	299
International Telecommunications	**58**	21	(7)
Directories	**61**	92	87
Corporate	**(126)**	86	39
Earnings from continuing operations	**159**	1,486	1,307
Earnings (loss) from discontinued operations	**(815)**	(96)	22
Dividends on preferred shares	**(94)**	(95)	(94)
Net earnings (loss) applicable to common shares	**(750)**	1,295	1,235

Canadian Telecommunications

BCE's Canadian Telecommunications group comprises the following subsidiaries: Bell Canada, BCE Mobile, NewTel, Northern Telephone, NorthwesTel, Telebec and TMI and associated companies including Bruncor, MT&T, Telesat and Teleglobe. These companies provide a full range of domestic and international telecommunication services to Canadian customers located in northern British Columbia, New Brunswick, Newfoundland, the Northwest Territories, Nova Scotia, Ontario, Prince Edward Island, Quebec and the Yukon.

Operating results for the year reflected intensified competition in the long distance market and continued weakness of the economy. Despite efforts to reduce costs and initiatives to offset

revenue shortfalls, Bell Canada achieved a regulated rate of return of 10.5% in 1993, below the 11% to 12% range established by the Canadian Radio-television and Telecommunications Commission (CRTC) in its August 30, 1993 decision denying Bell Canada's application for a local rate increase, and also below the estimate of Bell Canada's earnings of 11.5% made by the CRTC in the same decision.

The major difference between the earnings estimated by the CRTC and Bell Canada's actual results relates to assumptions regarding the level of operating revenues, and in particular, the extent of the loss of long distance market share experienced by Bell Canada, which the CRTC estimated to be less than 7% in 1993. Bell Canada's assessment of its average market share loss for 1993 is 10.5%. Regulatory delays or the denial of rate initiatives (other than the general local rate application), increased losses to competitors and a weak economy were the major factors causing revenues to decrease by $315 million compared to the original forecast filed by Bell on February 5, 1993 in support of its rate application.

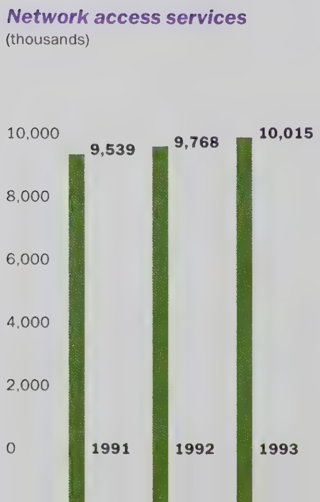
Through additional cost containment measures, further negotiations with suppliers, lower pension costs and the CRTC directive to defer to 1994 a portion of the analog switching equipment depreciation, telecommunications operating expenses dropped by $226 million compared with the original estimate. All these factors contributed to the achievement of the 10.5% regulated rate of return in 1993.

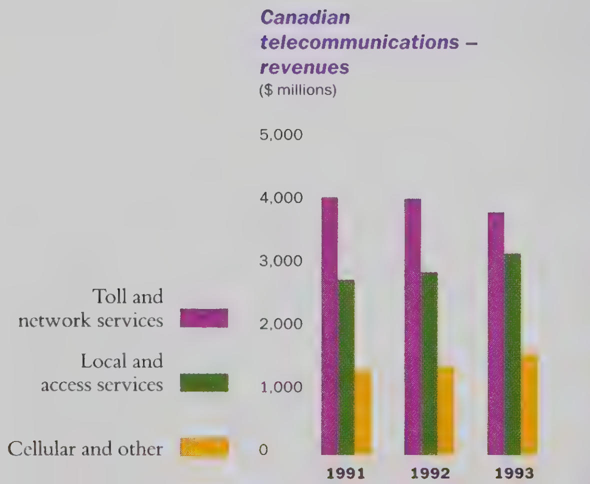
Canadian Telecommunications revenues comprise the following:

	Revenues ($ millions)			% Increase (decrease)	
	1993	1992	1991	**1993 vs. 1992**	1992 vs. 1991
Local and access services	**3,171**	2,912	2,748	**8.9**	6.0
Toll and network services	**3,837**	4,066	4,074	**(5.6)**	(0.2)
Cellular and other	**1,606**	1,437	1,329	**11.8**	8.1
	8,614	8,415	8,151	**2.4**	3.2

Revenues for the Canadian Telecommunications group increased by 2.4 per cent ($199 million) to $8,614 million in 1993 over 1992 revenues of $8,415 million.

Revenues increased 3.2 per cent ($264 million) in 1992 compared with 1991 revenues of $8,151 million. In both 1993 and 1992 the increase in revenues resulted from higher local and access services revenues and cellular and other revenues partially offset by lower toll and network services revenues.





In 1993, local and access services revenues grew 8.9 per cent ($259 million) over 1992. In 1992, these revenues grew 6 per cent ($164 million) over 1991. These increases resulted from the higher number and value of network access services (NAS) provided (i.e. customer lines in service), increased demand for optional services and higher payments made by resellers and other competitors to access the local network. NAS increased by 2.5 per cent in 1993 over 1992 and by 2.4 per cent in 1992 over 1991.

Toll and network services revenues declined by 5.6 per cent ($229 million) in 1993 compared with 1992, and by 0.2 per cent ($8 million) in 1992 compared with 1991. These revenue declines were mainly due to increased revenue losses to competitors, partly mitigated by the effect of pricing measures implemented to restrict market share losses, while economic growth continued at below average levels. Revenues from BCE Mobile increased by 13.6 per cent in 1993 and by 28.3 per cent in 1992 as a result of substantial growth in the number of subscribers. The Canadian Telecommunications group's contribution to net earnings for 1993 amounted to $749 million, down 20.7 per cent ($196 million) from the $945 million contributed in 1992. During 1993 the CRTC denied Bell Canada's application for increases in local rates. The earnings decrease was mainly due to the lower toll revenues, higher depreciation, marketing and sales expenses and a higher effective income tax rate, all of which were partially offset by higher local and access and other revenues. The increase in depreciation expense was mainly due to higher average depreciable plant balances and the net impact of changes in the average service life of equipment. The increase in marketing and sales expenses was associated with new service and sales initiatives in response to increased competition. In addition, BCE recorded a special $70 million provision largely related to the goodwill component of its investment in Telesat Canada.

The Canadian Telecommunications group's 1992 earnings increased by 6.3 per cent ($56 million) in 1992 over the $889 million recorded in 1991 as revenues, including local and access services, grew by 3.2 per cent while operating expenses increased by only 1.7 per cent. The revenue increases were driven primarily by the year over year growth in the number and value of network access services and by higher volumes of optional services. In 1992, operating expenses increased at a higher pace compared with 1991 mainly due to increased depreciation, salaries and wages expenses which were partially offset by the benefits of continuing productivity improvement actions and reduced software expenses.

Telecommunications Equipment Manufacturing

(carried out by Northern Telecom)

Northern Telecom's revenues increased by 3.2 per cent ($328 million) to $10,550 million in 1993 over 1992 revenues of $10,222 million. The 1992 revenues were nine per cent ($843 million) higher than 1991. While Northern Telecom reports its results in US dollars, they are presented here in Canadian dollars, except where otherwise noted.

The 1993 revenue increase was due to the lower value of the Canadian dollar in translating foreign results and to acquisitions which contributed approximately $650 million to Northern's 1993 revenues. These increases were partially offset by price reductions in both the Switching and Transmission product lines. The 1992 revenue increase was mainly due to volume growth partially offset by price reductions.

On a product line basis, revenues from Multimedia Communications Systems (MCS), which includes PBX, key systems and terminals, Transmission and Switching equipment grew in both 1992 and 1993 due to acquisitions, volume growth and the impact of foreign exchange. Switching revenues reflected lower prices in both years, a trend which is expected to continue based on intense competition for the North American telecommunications operating companies programs to deploy digital switching capabilities throughout their networks. Switching revenues also reflected the acquisition of NETAS in Turkey effective March 1, 1993 and lower sales to telecommunications operating companies in 1993 following an increase in such volumes in 1992.

On a geographic basis, revenues by destination (i.e. based on the location of the customer) increased in 1993 in the United States and Europe while declining in Canada. The increases were due to acquisitions and the weaker Canadian dollar. Sales to telecommunications operating companies in Canada, including Bell Canada, and in the United States were lower in 1993 than 1992. In 1992, geographic revenues increased in all markets mainly due to foreign exchange translation and higher sales to telecommunications operating companies and to other distributors.

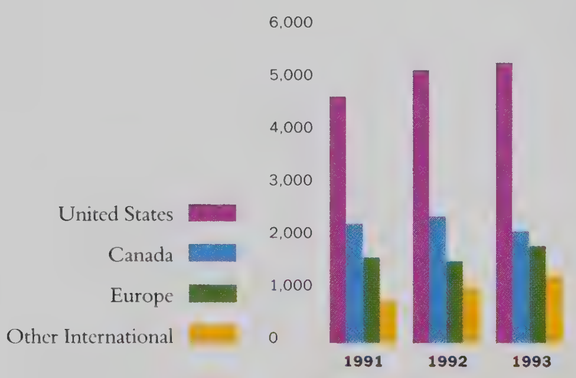
Northern's contribution to BCE's earnings was a loss of $583 million in 1993, compared with earnings of $342 million in 1992 and $299 million in 1991. The 1993 loss included special restructuring and other charges amounting to $624 million to BCE. The 1993 results were unfavourable to 1992 also as the result of lower gross margins due to continuing price reductions on Switching and Transmission equipment and unfavourable product mix. Revenues from Switching equipment, which is Northern's most profitable product line, declined as a percentage of total sales in both 1992 and 1993.

The gross margin decline to 34.9 per cent of revenues ($3,684 million) in 1993 from 40.5 per cent ($4,131 million) in 1992 resulted from lower margins for all product lines except MCS, and from changing product mix (i.e. a higher proportion of lower-margin product line revenues). Lower margins for Central Office Switching equipment were due to pricing pressures which were not offset by cost reductions. Transmission margins were also significantly down due to pricing pressures in the United States and Canada as well as a higher proportion of lower margin sales of Other Equipment Manufacturers (OEM) products.

The decline in 1992 gross margin compared with the 42 per cent ($3,923 million) achieved in 1991 resulted from lower margins in Switching and Transmission and changing product mix, partially offset by higher margins from the MCS product line.

Northern Telecom expects that the pressures on gross margins will continue as certain North American customers enter into large-scale contracts providing for the purchase of billions of dollars of equipment over a number of years with a limited number of suppliers. In addition, as Central Office Switching revenues decline as a percentage of total revenues, margins could be negatively impacted by a higher proportion of the other product lines which have lower margins. As a result, Northern is taking steps to rationalize and consolidate manufacturing facilities and to reduce infrastructure support costs.

Northern Telecom revenues by geographic area
($ millions)



In the second quarter of 1993, Northern Telecom recorded special charges totalling $1,479 million before taxes (US $1,161 million). The charges included a restructuring program, a software initiative and a goodwill revaluation. A US $409 million pre-tax provision was established for a restructuring program which will involve the rationalization and consolidation of manufacturing facilities and the reduction of infrastructure support costs. The restructuring program is expected to be substantially complete by the end of 1994. A US $252 million provision was established for a software initiative which will complete the modularization of central office switching software architecture to correct operating issues and enhance performance capabilities. The development phase of the software initiative is expected to be substantially complete in 1994, with market introduction in 1995. A write-down of US $500 million of the goodwill associated with Northern's investment in STC Limited was taken as a result of the prospect of continuing weakness in the European economic environment and Northern's expectations of lower growth in European sales and earnings.

The impact of these special charges on BCE's 1993 earnings per share, after income tax recoveries and minority interest, was a loss of $2.04 (net loss of $624 million). Excluding these special charges, BCE's net loss per share for 1993 was $0.40.

Since that time, Northern has announced the closure or sale of six of its North American manufacturing facilities.

Certain holders of Northern Telecom securities have commenced three purported class actions in the United States District Court for the Southern District of New York alleging that Northern Telecom and certain of its officers violated the Securities Exchange Act of 1934 and common law by making material misstatements of, or omitting to state, material facts relating to the business operations and prospects and financial condition of Northern Telecom. Compensatory and punitive damages are sought in each of the class actions. Due to the early stages of these actions, Northern Telecom cannot determine whether these actions will have a material adverse impact on its consolidated financial position or results of operations.

International Telecommunications

(Carried out by Bell Canada International)

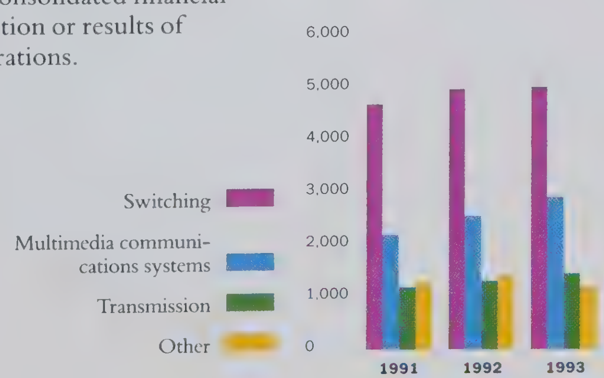
Bell Canada International (BCI) invests in subsidiaries and associated companies which provide telecommunications services, including cable T.V., and consulting services in the United Kingdom, United States and elsewhere internationally. These services are provided by BCI itself and the following companies: Mercury Communications, Videotron and Encom Cable TV and Telecommunications in the United Kingdom, and CLEAR Communications in New Zealand.

Revenues increased by $20 million to $138 million in 1993, over 1992 revenues of $118 million. The revenue increase was due to higher consulting revenues in the U.S. Revenues were $127 million in 1991. Revenues from associated companies (i.e. those in which Bell Canada International has less than a 50% ownership, such as Mercury) are not reflected in the group's revenues.

BCI's earnings increased by $37 million to $58 million in 1993 compared with 1992 earnings of $21 million and a 1991 loss of $7 million. The 1993 improvement was mainly due to BCI's 20 per cent share of Mercury's earnings following its December 1992 investment. The 1993 earnings also reflected a $41 million net gain on the sale of its interests in Mexican cellular companies, while in 1992, there was a $26.5 million dilution gain on the sale of a 20% interest of BCI's interests in Videotron and Encom to Cable and Wireless plc.

In December 1993, BCI entered into an agreement to purchase a 30% interest in Jones Intercable, Inc. (Jones) for US $275 million, with an option to acquire a controlling interest on pre-determined terms at a future date. Jones provides cable TV services to 1.3 million subscribers in the United States.

Northern Telecom revenues by product line
($ millions)



Directories

The Directories business publishes the white pages and Yellow Pages directories for Bell Canada and a number of other telecommunications operating companies in Canada, representing 64 per cent of the Canadian market. In addition, it publishes directories in the Middle East, Caribbean and India under directory service agreements with local telecommunications companies. In December 1992, the group sold its U.S. investments in the National Telephone Directory Corporation and Penn-Del Directory Corporation (NTDC / Penn-Del) and in June 1992 sold NADCO Directory Management Corp. (NADCO).

Directories revenues declined by 24.4 per cent ($169 million) to $525 million in 1993 compared with 1992 revenues of $694 million. Earnings fell by 33.7 per cent ($31 million) to $61 million in 1993 from $92 million in 1992. These declines reflected the divestitures noted above. Canadian revenues and earnings from the Directories business were lower in 1993 than 1992 mainly due to continuing softness in the Ontario market.

In 1992, revenues declined by 3.9 per cent ($28 million) while earnings increased by 5.7 per cent ($5 million) compared with 1991. The 1992 revenue decline resulted mainly from the sale of NADCO in June 1992, while earnings improved mainly as the result of lower 1992 losses from NADCO.

Corporate

Corporate contribution was a negative of $126 million in 1993 compared with a positive contribution of $86 million in 1992. The sale of various assets amounted to after-tax gains of $22 million in 1993 and $166 million in 1992. The 1993 sales included Encor, BABN, Case-Hoyt and a portion of TCPL while the 1992 sales included portions of TCPL and BCE Mobile. In addition, equity earnings from TCPL were nil in 1993 and $46 million in 1992.

Corporate contribution in 1991 amounted to $39 million. The most significant improvements in 1992 compared with 1991 were the gains on sales of investments.

Discontinued Operations

On December 2, 1993, BCE signed an agreement in principle to sell Montreal Trustco to The Bank of Nova Scotia as part of BCE's strategy to focus on telecommunications. The expected closing of the sale in 1994 is subject to finalization of a definitive agreement, board and regulatory approvals. BCE will be issued 10 million BNS common shares and will acquire Montreal Trustco real estate properties of approximately $100 million. BCE has recorded a special charge totalling $500 million before income taxes on the planned disposition of Montreal Trustco. As a result of discontinuing this operation Montreal Trustco is not reflected as a subsidiary in BCE's financial statements.

Also effective December 2, 1993, BCE signed a letter of intent to sell all of its investments relating to the real estate operations carried out by BF Realty and its principal subsidiary, Brookfield, to Carena Developments Limited (Carena) in exchange for Carena's agreement to provide Brookfield with the financial support necessary to enable it to complete a corporate financial restructuring. BCE was unwilling to advance any further restructuring funds to Brookfield. As part of the agreement, Carena declared its intention to continue providing financial and management support to Brookfield to ensure its ongoing viability as well as committing to continue managing and dealing with BF Realty in a commercially reasonable manner.

As part of the transaction, BCE will offer to purchase a 70 per cent interest in the Montreal office building located at 1000 de La Gauchetière Ouest where BCE and a number of its subsidiaries maintain their headquarters for a cost of $25 million plus the assumption of approximately $150 million of bank and other property-related indebtedness. BCE has certain guarantees relating to BCE Place in Toronto, including those relating to $111 million of preferred shares issued by BCE Place Finance Corporation which remain outstanding. The expected loss on the sale of its real estate interests is $700 million before income taxes. With this charge, BCE believes that it has fully provided for its financial exposure with respect to these investments and related guarantees.

Accordingly, the operating results of Montreal Trustco and provisions for loss on disposition of Montreal Trustco, BF Realty and Brookfield are included in earnings (loss) from discontinued operations for 1993 and prior years. The total after-tax cost of the provisions for financial services and real estate was $750 million, or $2.44 per share. The 1993 operating loss of Montreal Trustco was $65 million, or $0.21 per share.

Financial Performance – Equity Basis

In addition to other methods, BCE measures the financial performance of its operations on an "equity basis". Under this approach, the Corporation's equity earnings from continuing operations represents BCE's share of the earnings of all subsidiaries and associated companies in each group.

On an equity basis, BCE's investments and earnings from continuing operations were as follows:

	Investment			Equity Earnings		
($ millions)	**1993**	1992	1991	**1993**	1992	1991
Canadian Telecommunications	**9,229**	9,021	8,401	**749**	945	889
Telecommunications Equipment Manufacturing	**2,066**	2,676	2,371	**(583)**	342	299
International Telecommunications	**1,251**	1,218	122	**58**	21	(7)
Directories	**57**	38	162	**61**	92	87
Corporate	**557**	2,270	2,459	**(126)**	86	39
	13,160	15,223	13,515	**159**	1,486	1,307

Equity investment

On an equity basis, BCE's total investments declined $2.1 billion in 1993 mainly due to the successful disposals of Corporate non-telecommunications assets and the 1993 loss at Northern Telecom. The $619 million of proceeds on the sale of these assets were applied to reduce BCE borrowings. In 1992, total investments increased by $1.7 billion, reflecting Bell Canada International's $982 million investment in Mercury, and strong earnings from the Canadian Telecommunications group and Northern Telecom.

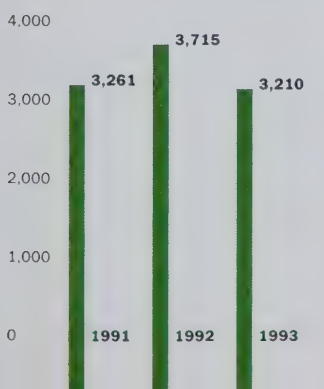
Equity earnings

1993 net earnings reflected the $815 million loss from discontinued operations, BCE's share of Northern Telecom's 1993 loss and lower earnings in the Canadian Telecommunications group.

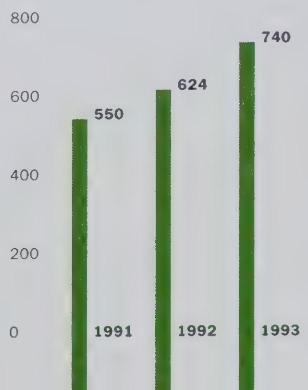
Liquidity and Capital Resources

Information relating to BCE's consolidated and corporate cash flows and those of its two principal operating subsidiaries follows.

Capital expenditures
($ millions)



Proceeds from divestitures
($ millions)



BCE Consolidated

On a consolidated basis, the principal components of BCE's cash flows include:

($ millions)	1993	1992
Cash from operations	**3,241**	4,244
Capital expenditures	**(3,210)**	(3,715)
Dividends	**(908)**	(896)
Payment for investment in Mercury	**(982)**	–
Investments	**(420)**	(1,662)
Divestitures	**740**	624
(Increase) decrease in long-term notes and other receivables	**(170)**	283
Other	**73**	66
Financing requirement	**(1,636)**	(1,056)
Financing provided by:		
Net borrowings	**1,398**	1,211
Net share issuance	**122**	(218)
Decrease in cash on hand	**116**	63
	1,636	1,056

Consolidated cash from operations decreased by $1,003 million to $3,241 million in 1993 compared with 1992 mainly due to lower operating earnings at Northern Telecom. The 1993 fourth quarter $750 million after-tax charge for Montreal Trustco and BF Realty / Brookfield as well as the second quarter Northern Telecom special charges of $624 million had no effect on cash flows in those quarters. Capital expenditures were $505 million lower in 1993 due to lower spending by Bell. Bell Canada International's 1992 investment in Mercury Communications was funded in the first quarter of 1993. Investments were $1,242 million lower in 1993 mainly due to the 1992 investment in Mercury. Proceeds from divestitures reflect the sales of Encor / Talisman, TCPL shares and other non-telecommunications investments in 1993, and TCPL shares and printing businesses in 1992. In 1993, long-term notes and other receivables increased by $170 million due to increased receivables at Northern Telecom, while in 1992, long-term notes and other receivables decreased by $283 million due to higher collections by Northern and a lower balance of sales-type lease receivables at Bell.

At December 31, 1993, unused bank lines of credit available to BCE, generally at the prime bank rate of interest, amounted to approximately $2.6 billion.

Bell Canada

The principal components of Bell's cash flows include:

($ millions)	1993	1992
Cash from operations	**2,703**	2,494
Capital expenditures	**(2,138)**	(2,688)
Dividends	**(887)**	(886)
Other	**63**	70
Financing requirement	**(259)**	(1,010)
Financing provided by:		
Net borrowings	**114**	644
Net share issuance	**175**	277
(Increase) decrease in cash on hand	**(30)**	89
	259	1,010

Cash provided by operations increased by $209 million in 1993 as $135 million lower net earnings were more than offset by the higher deferred income tax and depreciation expenses. Bell's 1993 capital expenditures were $550 million lower than 1992 due to the virtual completion of the local switching equipment modernization program as well as containment of capital investment.

In 1994, Bell expects that, for the first time in recent years, operations will provide sufficient cash to internally fund its capital expenditures, dividends and repayment of long-term debt, of which $169 million matures during 1994. Capital expenditures in 1994 are expected to amount to $1,771 million, down $367 million from 1993 principally due to the containment of capital investment. Bell may also refinance existing debt and preferred shares prior to maturity if prevailing interest rates are advantageous in 1994.

Northern Telecom

The principal components of Northern's cash flows include:

($ millions)	1993	1992
Cash from operations	**188**	563
Capital expenditures	**(610)**	(697)
Dividends	**(124)**	(116)
Investments	**(255)**	(386)
Divestitures	**15**	61
Other	**21**	246
Financing requirement	**(765)**	(329)
Financing provided by:		
Net borrowings	**836**	244
Net share issuance	**(2)**	(13)
(Increase) decrease in cash on hand	**(69)**	98
	765	329

Northern Telecom's cash from operations was lower in 1993 than 1992 mainly due to lower operating earnings in 1993. Northern's second quarter 1993 special charges had no cash impact in that quarter. Net cash required to fully implement the restructuring program and software initiative is anticipated to total $200 million through 1994.

Northern's 1993 capital expenditures declined by 12.5 per cent compared with 1992, and 1994 capital expenditures are expected to be lower than the 1993 level.

In July 1993, Northern Telecom announced an agreement to sell its STC Submarine Systems business for cash consideration of approximately £600 million (approximately $1,200 million), subject to the approval of regulatory authorities and other standard conditions. Regulatory approval was received in February 1994.

BCE Inc.

BCE Inc. corporate cash flows for 1993 include the receipt of dividends of $951 million from subsidiaries and associated companies and $619 million of proceeds on the sales of corporate assets including Encor / Talisman and TCPL.

The payment for BCE's 20 per cent investment in Mercury was made during the first quarter of 1993. For 1993, dividend payments to BCE shareholders totalled $908 million. The $368 million reduction in the balance of corporate short-term investments and the $122 million received on the issuance of BCE common shares allowed BCE to reduce borrowings by $77 million in 1993.

Credit ratings

During 1993, the credit rating agencies expressed concern over the credit quality of BCE's principal subsidiaries, Bell Canada and Northern Telecom. As a result, in November 1993, Canadian Bond Rating Service downgraded BCE's commercial paper and unsecured debt to "A-1" and "A(High)" from "A-1+" and "A+", respectively, and Dominion Bond Rating Service downgraded BCE's unsecured debt and preferred shares to "A(high)" and "Pfd-2" from "AA(low)" and "Pfd-1", respectively. In October 1993, as a consequence of the CRTC's decision to deny Bell Canada's application for a general increase in local rates, Standard & Poor's Investors Service Inc. downgraded Bell Canada's ratings on senior unsecured debt to "A+" from "AA-"; Canadian Bond Rating Service also downgraded Bell Canada's ratings on senior unsecured debt to "A+(low)" from "A+" and in November 1993, Dominion Bond Rating

Service downgraded Bell Canada's rating on senior unsecured debt to "AA(low)" from "AA". In July 1993, after reporting a large second quarter loss, Dominion Bond Rating Service downgraded Northern Telecom's ratings on long-term debt, commercial paper and preferred shares to "A(high)", "R-1(low)", and "Pfd-2" from "AA", "R-1(mid)", and "Pfd-1", respectively; Standard & Poor's Investors Service Inc. also downgraded Northern Telecom's ratings on long-term debt to "A" from "A+"; in August 1993, Canadian Bond Rating Service downgraded Northern Telecom's rating on long-term debt, commercial paper and preferred shares to "A(High)", "A-1", and "P-2" from "A+(High)", "A-1+", and "P-1", respectively; and in August 1993, Moody's Investors Service Inc. downgraded Northern Telecom's long-term debt rating to "A2" from "Aa3".

Outlook

Following the divestitures of BCE's non-telecommunications investments, BCE will devote its full attention to the telecommunications industry.

Revenues of the Canadian Telecommunications group should improve in 1994 with the modest growth expected in the Canadian economy resulting in continuing growth in local and access services, optional features and payments made by long distance competitors to access local network. This growth will be partially offset by increased market share losses to competitors. Although Bell Canada anticipates an increased market share loss with the advent in July 1994 of equal access (allowing customers of long distance competitors to place long distance calls without having to dial additional digits), it continues to expend significant marketing and sales efforts and is introducing a number of measures to mitigate the financial impact of this market share loss. Amongst measures adopted to contain expenses are an employment termination program under which some 2,200 employees terminated employment on January 31, 1994, reduced work week programs and a salary freeze for management. Capital expenditures will also be reduced in 1994. Bell Canada's earnings target for 1994 is at the lower end of the 11% to 12% range of regulated rate of return authorized by the CRTC.

For Northern Telecom, the effect of pricing pressures, product mix, and traditionally lower first quarter volume is expected to have a major impact on gross profit and will likely generate an operating loss in the first quarter of 1994. The annualized effect of improvements in the cost structure and volume growth from a strengthened portfolio of products is expected to become evident in the second half of the year.

The Directories group will continue to optimize its Canadian market performance while investing globally in other opportunities.

The International Telecommunications group will continue to concentrate on its present operations while at the same time review other international opportunities. The Jones Intercable acquisition is expected to close in the second quarter of 1994 and other cable and cellular opportunities are being evaluated. BCE is considering alternatives to finance Bell Canada International's acquisition program, including the issuance by BCI or its subsidiary and associated companies of debt or equity securities in public or private markets. Bell Canada International will invest over US $400 million in Jones during the next several years, including US $275 million for the purchase of the initial 30 per cent investment in 1994 and participation of up to US $125 million in future equity financings of Jones. In addition, Bell Canada International will acquire for US $55 million an option to purchase eventual control of Jones.

Consolidated Financial Statements

Consolidated Financial Statements

BCE Inc. December 31, 1993

Management's Responsibility for Financial Statements

The accompanying consolidated financial statements of BCE Inc. and its subsidiaries (collectively BCE), and all information in this annual report are the responsibility of management and have been approved by the board of directors.

The financial statements have been prepared by management in conformity with Canadian generally accepted accounting principles. The financial statements include some amounts that are based on best estimates and judgements of management, and in their opinion present fairly BCE's financial position, results of operations and changes in financial position. Financial information used elsewhere in the annual report is consistent with that in the financial statements.

Management of BCE, in furtherance of the integrity and objectivity of the financial statements, has developed and maintains a system of internal controls and supports an extensive program of internal audits. Management believes the internal controls provide assurance that financial records are reliable and form a proper basis for the preparation of financial statements and that BCE's assets are properly accounted for and safeguarded. The internal control process includes management's communication to employees of policies which govern ethical business conduct.

The board of directors carries out its responsibility for the financial statements in this annual report principally through its audit committee, consisting solely of outside directors. The audit committee reviews the corporation's annual consolidated financial statements and other information in the annual report, and recommends their approval by the board of directors. The shareholders' auditors have free and independent access to the audit committee.

These financial statements have been audited by the shareholders' auditors, Deloitte & Touche, Chartered Accountants, and their report is presented below.

William R. Kerr
Vice-President and Comptroller

February 23, 1994

Auditors' Report

To the Shareholders of BCE Inc.

We have audited the consolidated balance sheets of BCE Inc. and its subsidiaries as at December 31, 1993 and 1992, and the consolidated statements of operations, retained earnings and changes in financial position for each of the three years in the period ended December 31, 1993. These consolidated financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform audits to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 1993 and 1992, and the results of its operations and the changes in its financial position for each of the three years in the period ended December 31, 1993, in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche
Chartered Accountants

Montreal, Quebec
February 23, 1994

Consolidated Statement of Operations

For the years ended December 31

($ millions except per share amounts)

	1993	1992	1991
Revenues (note 2)	**19,827**	19,572	18,494
Operating expenses	**15,937**	14,925	14,042
Research and development expense	**1,244**	1,105	1,071
Restructuring and other costs (note 3)	**1,479**	–	–
Operating profit	**1,167**	3,542	3,381
Other income (note 4)	**188**	486	310
Operating earnings	**1,355**	4,028	3,691
Interest expense – long-term debt	**992**	895	860
– other debt	**230**	204	206
Total interest expense	**1,222**	1,099	1,066
Earnings before income taxes and minority interest	**133**	2,929	2,625
Income tax expense (note 5)	**(390)**	(1,029)	(952)
Minority interest	**416**	(414)	(366)
Earnings from continuing operations	**159**	1,486	1,307
Earnings (loss) from discontinued operations (note 6)	**(815)**	(96)	22
Net earnings (loss)	**(656)**	1,390	1,329
Dividends on preferred shares	**(94)**	(95)	(94)
Net earnings (loss) applicable to common shares	**(750)**	1,295	1,235
Earnings (loss) per share			
Continuing operations	**0.21**	4.52	3.94
Discontinued operations (note 6)	**(2.65)**	(0.31)	0.07
Net earnings (loss) per share (note 3)	**(2.44)**	4.21	4.01
Dividends declared per common share	**2.65**	2.61	2.57
Average number of common shares outstanding (millions)	**307.0**	307.6	307.6

Consolidated Balance Sheet

At December 31

Assets

	1993	1992
	($ millions)	
Current assets		
Cash and short-term investments	**121**	237
Accounts receivable (note 7)	**5,236**	4,787
Inventories (note 8)	**1,610**	1,259
Prepaid expenses	**286**	274
Deferred income taxes	**427**	196
	7,680	6,753
Investments in associated and other companies (note 9)	**2,340**	2,255
Property, plant and equipment		
At cost (note 10)	**35,165**	33,428
Less: accumulated depreciation	**12,857**	12,044
	22,308	21,384
Other assets		
Long-term notes and other receivables (note 7)	**1,239**	1,037
Deferred charges	**1,002**	926
Goodwill (note 3)	**1,734**	2,375
	3,975	4,338
Other corporate investments (note 11)	**405**	1,926
Total assets	**36,708**	36,656

On behalf of the Board of Directors:

Warren Chippindale
Director

E. Neil McKelvey
Director

		1993	1992
		($ millions)	
Liabilities	**Current liabilities**		
	Accounts payable and accrued liabilities	**5,766**	5,198
	Dividends payable	**235**	218
	Income and other taxes payable	**104**	214
	Interest payable	**276**	238
	Debt due within one year (note 12)	**2,591**	2,832
		8,972	8,700
	Other liabilities		
	Long-term debt (note 13)	**10,449**	8,613
	Deferred income taxes	**2,000**	2,377
	Other long-term liabilities	**859**	683
		13,308	11,673
	Total liabilities	**22,280**	20,373
Minority interest	Preferred shares	**1,118**	1,237
	Common shares	**2,387**	2,739
		3,505	3,976
Preferred shares	Preferred shares (note 14)	**1,229**	1,229
Common shareholders' equity	Common shares (note 15)	**5,728**	5,606
	Common share purchase warrants (note 16)	**39**	39
	Contributed surplus (note 15)	**1,007**	1,007
	Retained earnings	**2,908**	4,475
	Foreign currency translation adjustment (note 17)	**12**	(49)
		9,694	11,078
	Commitments and contingent liabilities (note 18)		
	Total liabilities and shareholders' equity	**36,708**	36,656

William R. Kerr
Vice-President and Comptroller

Consolidated Statement of Retained Earnings

For the years ended December 31

	1993	($ millions) 1992	1991
Balance at beginning of year	**4,475**	4,165	3,727
Net earnings (loss)	**(656)**	1,390	1,329
	3,819	5,555	5,056
Deduct:			
Dividends			
Preferred shares	**94**	95	94
Common shares	**814**	801	791
	908	896	885
BCE common shares purchased for cancellation (note 15)	**–**	183	–
Costs related to issuance and redemption of share capital of BCE Inc. and of subsidiaries	**3**	1	6
	911	1,080	891
Balance at end of year	**2,908**	4,475	4,165

Consolidated Statement of Changes in Financial Position

For the years ended December 31

	1993	($ millions) 1992	1991
Cash and short-term investments were provided by (used for)			
Operations	**2,259**	4,244	4,352
Investments	**(2,926)**	(4,507)	(4,453)
Financing	**1,614**	1,256	1,243
Dividends declared	**(1,063)**	(1,056)	(1,043)
Net increase (decrease) in cash and short-term investments	**(116)**	(63)	99
Cash and short-term investments at beginning of year	**237**	300	201
Cash and short-term investments at end of year	**121**	237	300

Consolidated Statement of Changes in Financial Position (continued)

For the years ended December 31

	1993	($ millions) 1992	1991
Cash provided by (used for) operations			
Earnings from continuing operations	**159**	1,486	1,307
Items not affecting cash			
Depreciation	**2,471**	2,324	2,215
Restructuring and other costs (note 3)	**624**	–	–
Minority interest	**157**	419	373
Deferred income taxes	**157**	89	10
Equity in net earnings of associated companies lower than (in excess of) dividends received	**25**	(46)	(5)
Other items	**88**	(25)	86
(Increase) decrease in working capital (note 19)	**(1,422)**	(3)	366
Cash provided by operations	**2,259**	4,244	4,352
Cash provided by (used for) investments			
Capital expenditures	**(3,210)**	(3,715)	(3,261)
Investments – Mercury Communications Limited (note 9)	**–**	(982)	–
– other telecommunications businesses	**(420)**	(680)	(1,879)
Sale of investments in telecommunications businesses	**86**	–	407
Long-term notes and other receivables	**(170)**	283	58
Sale of other corporate investments	**654**	624	143
Other items	**134**	(37)	79
Cash used for investments	**(2,926)**	(4,507)	(4,453)
Cash provided by (used for) financing			
Addition to long-term debt	**2,923**	2,231	3,105
Reduction of long-term debt	**(1,319)**	(1,711)	(1,966)
Issue of common shares	**122**	138	207
Purchase of common shares for cancellation	**–**	(356)	–
Issues of preferred and common shares by subsidiaries to minority shareholders	**131**	117	310
Redemption of preferred shares by subsidiaries	**(158)**	(106)	(10)
Notes payable and bank advances	**(206)**	691	(285)
Other items	**121**	252	(118)
Cash provided by financing	**1,614**	1,256	1,243
Dividends declared			
By BCE Inc.			
Preferred shares	**(94)**	(95)	(94)
Common shares	**(814)**	(801)	(791)
By subsidiaries to minority shareholders	**(155)**	(160)	(158)
Cash used for dividends declared	**(1,063)**	(1,056)	(1,043)

1. Accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and all amounts are in Canadian dollars unless otherwise indicated.

With respect to the financial statements of BCE Inc. (the Corporation) and its consolidated companies (collectively BCE), the important differences between Canadian and United States generally accepted accounting principles are described and reconciled in note 22.

BCE is Canada's largest telecommunications company. Its core businesses, carried on through subsidiaries, are the provision of telecommunications services and the development and manufacture of telecommunications equipment. The three management groups through which BCE provides telecommunications services are Canadian Telecommunications, International Telecommunications and Directories. Telecommunications Equipment Manufacturing is carried out by Northern Telecom Limited (Northern Telecom), which is responsible for the development, manufacture and sale of telecommunications equipment.

In December 1993, BCE announced an agreement in principle to sell its financial services business carried out by Montreal Trustco Inc. (Montreal Trustco). As described in note 6, the Montreal Trustco operations have been reported as a discontinued business in the financial statements. Accordingly, the assets and liabilities of Montreal Trustco have been reported as an other corporate investment on BCE's consolidated balance sheet and the operating results and provision for loss on disposition are included with earnings (loss) from discontinued operations on the consolidated statement of operations for 1993 and prior years.

Consolidation

The financial statements of entities which are controlled by the Corporation are consolidated; associated companies, which the Corporation has the ability to significantly influence, generally representing 20 to 50 per cent ownership, are accounted for by using the equity method; investments in other entities are accounted for by using the cost method. Under the equity method, the Corporation's proportional share of the net earnings of such entities from the dates of their acquisition, net of amortization of goodwill, is taken into earnings and added to the cost of the investments. Dividends received from these entities increase cash and reduce the carrying amounts of the investments.

Goodwill represents the excess of cost of investments over the fair value of the net assets acquired and is being amortized to earnings on a straight-line basis, the majority of which is over a period of 40 years. Goodwill amortization amounted to \$84 million in 1993 (1992 – \$83 million, 1991 – \$76 million).

Intercompany earnings on the sales of telecommunications equipment from Northern Telecom to Bell Canada and other regulated subsidiaries of BCE are deemed to be realized and are not eliminated on consolidation. The sales price on such equipment is recognized for rate-making purposes by the Canadian Radio-television and Telecommunications Commission (CRTC) and other regulators. All other significant intercompany transactions have been eliminated in the consolidated financial statements.

Depreciation

Depreciation is generally computed using the straight-line method, with rates based on the estimated useful lives of the assets.

Research and development (R&D)

R&D expense is charged to earnings in the periods in which it is incurred, and is shown net of applicable investment tax credits.

1. Accounting policies
(continued)

Translation of foreign currencies

Self-sustaining foreign subsidiaries

Self-sustaining subsidiaries, which comprise most of the Corporation's foreign subsidiaries, are those whose economic activities are largely independent of those of the parent company. Assets and liabilities denominated in a foreign currency are translated to Canadian dollars at exchange rates in effect at the balance sheet dates. Resulting unrealized gains or losses are accumulated in and reported as foreign currency translation adjustment in shareholders' equity. Revenues and expenses are translated at average exchange rates prevailing during the year.

Foreign currency assets and liabilities

Unrealized translation gains and losses on assets and liabilities denominated in foreign currencies are reflected in net earnings of the year, except for gains and losses on long-term monetary assets and liabilities, such as long-term debt, which are reported as a deferred charge or credit and amortized to earnings on a straight-line basis over the remaining lives of the related items.

Hedges

Unrealized translation gains and losses on certain debt and financial instruments of BCE which have been designated as hedges of foreign self-sustaining operations are accumulated in and reported as a foreign currency translation adjustment in shareholders' equity.

Postretirement benefits

The Corporation and most of its significant subsidiary companies have non-contributory defined benefit plans which provide for pensions for substantially all their employees based on length of service and rates of pay. The policy is to fund pension costs through contributions based on various actuarial cost methods as permitted by pension regulatory bodies. The companies are responsible to adequately fund the plans. Contributions reflect actuarial assumptions regarding salary projections and future service benefits. Plan assets are represented by common and preferred shares, bonds and debentures, cash and short-term investments, real estate and mortgages.

The cost of pensions is accrued and charged to earnings over employees' working lives.

The companies also provide certain health care and life insurance benefits for employees on retirement. The cost of postretirement benefits other than pensions, such as medical benefits and life insurance for retirees, is generally charged to earnings as incurred.

Income taxes

The Corporation and its subsidiaries other than those which are regulated carriers use the deferral method of accounting for income taxes. The regulated carriers use the liability method of accounting for income taxes, as described in the following paragraph. Under both the deferral and liability methods, the companies provide for income taxes based on accounting income for tax purposes included in the financial statements, regardless of when such income is subject to taxes under tax laws. The differences between taxes currently payable and taxes accrued are reported as deferred income taxes on the consolidated balance sheets.

1. Accounting policies
(continued)

In July 1989, the CRTC directed federally regulated carriers (including Bell Canada) that their deferred income tax balances be adjusted to reflect the reduced combined statutory corporate income tax rate in effect on January 1, 1989, and that the resulting adjustment of \$293 million (including \$290 million applicable to Bell Canada) be amortized to earnings as a reduction to income tax expense over a five-year period commencing in October 1989. The unamortized tax adjustment remains in the balance sheet in deferred income taxes. Adjustments to deferred income taxes resulting from subsequent minor changes to income tax rates are taken into earnings in the year in which the changes occur. A longer amortization period could be considered by the CRTC if any adjustment to the deferred income taxes has a significant impact on the rates of return on equity of these companies.

Investment tax credits are credited to earnings in the same periods in which the related expenditures are charged to earnings.

Earnings per share
Earnings per share are based on the weighted average number of shares outstanding and are calculated after deducting dividends on preferred shares. In 1993, there was no dilutive effect on earnings per share after the assumed exercise of warrants and options.

Inventories
Inventories are valued at the lower of cost (calculated generally on a first-in, first-out basis) or net realizable value. The cost of finished goods and work-in-process inventories is comprised of material, labour and manufacturing overhead.

Leases
Leases are classified as capital or operating leases. When BCE is the lessor, rental revenue from operating leases is recognized as service is provided to customers. For leases which qualify as sales-type leases, the sales revenue is recorded at the inception of the lease. When BCE is the lessee, assets recorded under capital leases are amortized on a straight-line method, using rates based on the estimated useful life of the asset or based on the lease term as appropriate. Obligations recorded under the capital leases are reduced by rental payments net of imputed interest.

Software
The cost of acquiring and modifying switching machine software, which provides services in the telecommunications network, and developing certain administrative applications software is capitalized and amortized on a straight-line basis over three to five years.

2. Industry segments information

BCE operates the following business groups:

(a) **Canadian Telecommunications** – provides a full range of telecommunications services in Canada;

(b) **Telecommunications Equipment Manufacturing** – Northern Telecom provides research, design, manufacture, sale and service of telecommunications equipment on a global basis;

(c) **International Telecommunications** – Bell Canada International provides telecommunications services, including cable TV services and consulting services in the United Kingdom, United States and other countries;

(d) **Directories** – publishes telephone and other directories in Canada and internationally; and

(e) **Corporate** – BCE Inc. is a strategic management company whose major activities include strategy development, human resources management, capital allocation, goal setting and performance monitoring. Corporate results include BCE Inc. administrative expenses, interest expenses, gains and losses on sales of corporate investments and related income taxes.

Business segments

($ millions)

		Revenues	Net operating and other expenses	Restructuring charges	Earnings (loss) from continuing operations
Canadian Telecommunications	**1993**	**8,614**	**7,865**	**–**	**749**
	1992	8,415	7,470	–	945
	1991	8,151	7,262	–	889
Telecommunications Equipment Manufacturing	**1993**	**10,550** (i)	**10,509**	**624** (ii)	**(583)**
	1992	10,222 (i)	9,880	–	342
	1991	9,379 (i)	9,080	–	299
International Telecommunications	**1993**	**138**	**80**	**–**	**58**
	1992	118	97	–	21
	1991	127	134	–	(7)
Directories	**1993**	**525**	**464**	**–**	**61**
	1992	694	602	–	92
	1991	722	635	–	87
Corporate	**1993**	**–**	**126**	**–**	**(126)**
	1992	123	37	–	86
	1991	115	76	–	39
Total	**1993**	**19,827**	**19,044**	**624**	**159**
	1992	19,572	18,086	–	1,486
	1991	18,494	17,187	–	1,307

2. Industry segments information

(continued)

(i) Northern Telecom revenues comprise revenues from:

	1993	($ millions) 1992	1991
Bell Canada	**979**	1,550	1,392
Other telecommunications subsidiary and associated companies of BCE Inc.	**413**	178	198
Other customers	**9,158**	8,494	7,789
Total	**10,550**	10,222	9,379

Telecommunications equipment manufacturing revenues from Bell Canada and other telecommunications subsidiary and associated companies of BCE Inc. are not eliminated on consolidation. Telecommunications equipment manufacturing revenues of Northern Telecom from Bell Canada are at sale prices and terms as low as those offered to the most favoured customers of Northern Telecom for like materials and services under comparable conditions.

(ii) Northern Telecom's restructuring charges amounted to $1,479 million before taxes and minority interest.

Geographic segments (iii)

($ millions)

		Revenues			Operating earnings before R&D expense and restructuring charges	Identifiable assets
		Total	Transfers between geographic areas	Customers		
Canada	**1993**	**13,255**	**(1,733)**	**11,522**	**3,034**	**26,165**
	1992	13,355	(1,352)	12,003	3,572	26,778
	1991	12,433	(992)	11,441	3,242	24,984
U.S.A.	**1993**	**6,327**	**(532)**	**5,795**	**845**	**5,602**
	1992	6,017	(487)	5,530	1,389	5,539
	1991	5,637	(355)	5,282	1,255	5,062
Europe	**1993**	**2,180**	**(82)**	**2,098**	**232**	**6,187**
	1992	1,704	(25)	1,679	135	6,114
	1991	1,548	(5)	1,543	256	4,987
Other	**1993**	**585**	**(173)**	**412**	**(33)**	**501**
	1992	513	(153)	360	37	608
	1991	316	(88)	228	9	436
Eliminations	**1993**	**(2,520)**	**2,520**	**–**	**–**	**(1,747)**
	1992	(2,017)	2,017	–	–	(2,383)
	1991	(1,440)	1,440	–	–	(1,817)
Total	**1993**	**19,827**	**–**	**19,827**	**4,078**	**36,708**
	1992	19,572	–	19,572	5,133	36,656
	1991	18,494	–	18,494	4,762	33,652

(iii) The point of origin (the location of the selling organization) of revenues and the location of the assets determine the geographic area.

2. Industry segments information
(continued)

	1993	($ millions) 1992	1991
Earnings			
Operating earnings before R&D expense and restructuring charges	**4,078**	5,133	4,762
R&D expense	**1,244**	1,105	1,071
Restructuring charges	**1,479**	–	–
Operating earnings	**1,355**	4,028	3,691
Interest expense, income tax expense and minority interest	**1,196**	2,542	2,384
Earnings from continuing operations	**159**	1,486	1,307

	1993	($ millions) 1992	1991
Assets			
Canadian Telecommunications	**22,079**	21,106	19,595
Telecommunications Equipment Manufacturing	**12,608**	11,895	11,066
International Telecommunications	**1,517**	2,019	137
Directories	**217**	432	394
Corporate	**1,170**	3,056	3,111
Eliminations	**(883)**	(1,852)	(651)
Total assets as at December 31	**36,708**	36,656	33,652
Capital expenditures			
Canadian Telecommunications	**2,488**	2,981	2,633
Telecommunications Equipment Manufacturing	**608**	692	590
International Telecommunications	**101**	9	1
Directories	**9**	15	23
Corporate	**4**	18	14
Total capital expenditures	**3,210**	3,715	3,261
Depreciation expense			
Canadian Telecommunications	**1,905**	1,790	1,691
Telecommunications Equipment Manufacturing	**551**	511	499
International Telecommunications	**6**	3	1
Directories	**6**	10	14
Corporate	**3**	10	10
Total depreciation expense	**2,471**	2,324	2,215
BCE investment (iv)			
Canadian Telecommunications	**9,229**	9,021	8,401
Telecommunications Equipment Manufacturing	**2,066**	2,676	2,371
International Telecommunications	**1,251**	1,218	122
Directories	**57**	38	162
Corporate	**557**	2,270	2,459
Total BCE investment, at equity	**13,160**	15,223	13,515

(iv) For this analysis, investments are reported on an "equity" basis, comprising BCE's cumulative investment made in each operating group plus BCE's share of the cumulative group earnings less dividends received from the group.

3. Restructuring and other costs

Northern Telecom recorded special charges totalling $1,479 million before taxes (US $1,161 million) in the second quarter of 1993. The charges included a restructuring program, a software initiative and a goodwill revaluation. A US $409 million pre-tax provision was established for a restructuring program which will involve the rationalization and consolidation of manufacturing facilities and the reduction of infrastructure support costs. The restructuring program is expected to be substantially complete by the end of 1994. A US $252 million provision was established for a software initiative which will complete the modularization of central office switching software architecture to correct operating issues and enhance performance capabilities. The development phase of the software initiative is expected to be substantially complete in 1994, with market rollout planned for 1995. A write-down of US $500 million of the goodwill associated with Northern's investment in STC Limited has been taken as a result of the prospect of continuing weakness in the European economic environment and Northern's expectations of lower growth in European sales and earnings.

The impact of these special charges on BCE's 1993 earnings per share, after income tax recoveries and minority interest, was a loss of $2.04 (net loss of $624 million). Excluding these special charges, BCE's net loss per share for 1993 was $0.40.

4. Other income

		($ millions)	
	1993	1992	1991
Equity in net earnings of associated companies (a)	**11**	103	103
Net gain on investments (b)	**101**	263	70
Interest income	**73**	87	84
Other	**3**	33	53
Total other income	**188**	486	310

(a) Includes a special $70 million provision in 1993 relating to BCE's investment in Telesat Canada.

(b) Includes gains on sales of investments in Mexican cellular businesses amounting to $63 million in 1993, TransCanada PipeLines Limited (TCPL) amounting to $39 million in 1993 and $138 million in 1992 and a $76 million gain on the disposal of printing companies in 1992.

5. Income tax expense

A reconciliation of income tax expense at Canadian statutory rates with the reported income tax expense follows:

		($ millions)	
	1993	1992	1991
Income taxes at Canadian statutory rates	**56**	1,222	1,081
(i) Amortization of deferred tax adjustment	**(58)**	(59)	(57)
(ii) Difference between Canadian statutory rates and those applicable to restructuring and other costs	**345**	–	–
(iii) Difference between Canadian statutory rates and those applicable to foreign subsidiaries	**(21)**	(58)	(54)
(iv) Equity in net earnings of associated companies	**(4)**	(43)	(42)
(v) Other	**72**	(33)	24
Total income taxes	**390**	1,029	952

5. Income tax expense
(continued)

Details of income taxes:

($ millions)	1993	1992	1991
Earnings before income taxes and minority interest			
Canadian	**1,278**	2,145	1,976
Other	**(1,145)**	784	649
Total earnings before income taxes and minority interest	**133**	2,929	2,625
Income taxes			
Canadian	**567**	753	751
Other	**(177)**	276	201
Total income taxes	**390**	1,029	952
Income taxes			
Current	**233**	940	942
Deferred	**157**	89	10
Total income taxes	**390**	1,029	952

Deferred income taxes result from deductions for tax purposes, principally in respect of plant and equipment, in excess of amounts currently charged to operations.

Deferred income taxes on the consolidated balance sheet includes the unamortized deferred tax adjustment in the amount of $45 million (1992 – $103 million) (see note 1).

6. Discontinued operations

On December 2, 1993, BCE signed an agreement in principle to sell Montreal Trustco to The Bank of Nova Scotia (BNS) as part of BCE's strategy to focus on telecommunications. The expected closing of the sale in 1994 is subject to finalization of a definitive agreement, board and regulatory approvals. BCE will be issued 10 million BNS common shares and will acquire Montreal Trustco real estate properties of approximately $100 million. BCE has recorded a special charge totalling $500 million before income taxes on the planned disposition of Montreal Trustco.

Also effective December 2, 1993, BCE signed a letter of intent to sell all of its investments relating to the real estate operations carried out by BF Realty Holdings Limited (BF Realty) and its principal subsidiary, Brookfield Development Corporation (Brookfield) to Carena Developments Limited (Carena) in exchange for Carena's agreement to provide Brookfield with the financial support necessary to enable it to complete a corporate financial restructuring. BCE was unwilling to advance any further restructuring funds to Brookfield. As part of the agreement, Carena declared its intention to continue providing financial and management support to Brookfield to ensure its ongoing viability as well as committing to continue managing and dealing with BF Realty in a commercially reasonable manner.

As part of the transaction, BCE will offer to purchase a 70% interest in the Montreal office building located at 1000 de La Gauchetière Ouest where BCE and a number of its subsidiaries maintain their headquarters for a cost of $25 million plus the assumption of approximately $150 million of bank and other property-related indebtedness. BCE has certain guarantees relating to BCE Place in Toronto, including those relating to $111 million of preferred shares issued by BCE Place Finance Corporation which remain outstanding.

The expected loss on the sale of its real estate interests is $700 million before income taxes. With this charge, BCE believes that it has fully provided for its financial exposure with respect to these investments and related guarantees.

6. Discontinued operations
(continued)

The operating earnings of Montreal Trustco through December 1993, provisions for discontinuance of Montreal Trustco and BF Realty / Brookfield and combined net assets values of these discontinued operations are as follows:

Statement of operations

($ millions)	**1993**	1992	1991
Revenues	**1,146**	1,306	1,491
Operating expenses and preferred dividends	**(1,257)**	(1,475)	(1,471)
Income tax recovery	**46**	73	2
Earnings (loss) to BCE – financial services	**(65)**	(96)	22
Provisions for discontinuance			
- Montreal Trustco	**(500)**	-	-
- BF Realty / Brookfield	**(700)**	-	-
Total provisions for discontinuance	**(1,200)**	-	-
Less: income tax recovery			
- Montreal Trustco	**100**	-	-
- BF Realty / Brookfield	**350**	-	-
After-tax cost of provisions	**(750)**	-	-
Net earnings (loss) from discontinued operations	**(815)**	(96)	22

Balance sheet

($ millions)	**December 31, 1993**	December 31, 1992
Loans	**8,685**	9,370
Other assets	**2,464**	3,762
Total assets	**11,149**	13,132
Investment certificates and borrowings	**(8,962)**	(10,288)
Other liabilities and preferred shares	**(1,787)**	(1,368)
Net asset carrying value, included in other corporate investments	**400**	1,476

7. Accounts receivable

At December 31, 1993, accounts receivable included $126 million (1992 – $139 million) from related parties. The provision for uncollectibles was $97 million (1992 – $73 million) for current accounts receivable and $53 million (1992 – $47 million) for long-term notes and other receivables.

Bell Canada and Northern Telecom have programs to sell trade receivables on a revolving basis. At December 31, 1993, they had sold, with limited recourse, accounts receivable for cash proceeds of $935 million (1992 – $735 million, 1991 – $354 million).

8. Inventories

($ millions)	**December 31, 1993**	December 31, 1992
Raw materials	**380**	367
Work-in-process	**458**	382
Finished goods	**772**	510
Total inventories	**1,610**	1,259

9. Investments in associated and other companies

	($ millions) December 31, 1993	December 31, 1992
Canadian Telecommunications		
Teleglobe Inc. (a)	**216**	197
Maritime Telegraph and Telephone Company, Limited (MT&T) (b)	**172**	160
Bruncor Inc. (Bruncor) (c)	**132**	122
Telesat Canada (d)	**119**	145
Other	**34**	10
Telecommunications Equipment Manufacturing		
Matra Communication S.A. (e)	**319**	302
ICL PLC	**131**	147
Other	**8**	44
International Telecommunications (f)		
Mercury Communications Limited (g)	**1,044**	982
Videotron Corporation Limited (a U.K. company)	**117**	97
Other	**25**	26
Directories	**14**	14
Corporate	**9**	9
Total investments in associated and other companies (h)	**2,340**	2,255

(a) **Teleglobe Inc.**
At December 31, 1993, the investment in Teleglobe Inc. represented an interest of approximately 22.5% (1992 – 22.8%) on a fully diluted basis.

(b) **MT&T**
At December 31, 1993, BCE owned 35.2% (9,866,196 shares) of the common shares of MT&T (1992 – 34.3%). A Nova Scotia statute provides that no more than 1,000 shares of MT&T may be voted by any one shareholder.

(c) **Bruncor**
At December 31, 1993, BCE owned 40.5% of the common shares of Bruncor (1992 – 36.9%).

(d) **Telesat Canada**
In April 1992, a consortium of BCE, other Canadian telecommunications companies and Spar Aerospace Limited, acquired the federal government's 49.3% interest in Telesat Canada. At December 31, 1993, BCE owned 58.5% of Telesat Canada (1992 – 58.1%), with a voting interest of 26.1%.

(e) **Matra Communication S.A.**
On July 2, 1992, Northern Telecom and Matra S.A. (Matra), a French holding company with interests in a range of high technology and industrial activities, announced a strategic alliance involving Matra's subsidiary, Matra Communication S.A. (Matra Communication), a leading European supplier of telecommunications equipment based in France. Northern Telecom invested 700 million French francs ($165 million) to acquire an initial 20% direct holding in Matra Communication and 563 million French francs ($137 million) of a total of 665 million French francs in a debenture exchangeable into a further 16% to 24% of Matra Communication from 1995.

Based on the agreement, Northern Telecom's shareholding could increase to 50.1% in 1995 and 100% in 1997 for a total additional investment of 2.3 – 3.9 billion French francs (approximately $510 – $870 million) depending on the financial performance of Matra Communication.

(f) **Jones Intercable, Inc. (Jones Intercable)**
In December 1993, Bell Canada International entered into an agreement with Jones Intercable to purchase 30% equity interest in Jones Intercable for US $275 million. In addition, Bell Canada International has agreed to purchase an option to acquire a controlling interest on pre-determined terms at a future date. The initial investment is expected to close in the first half of 1994 following regulatory approvals and due diligence reviews.

9. Investments in associated and other companies
(continued)

(g) **Mercury Communications Limited (Mercury)**
In December 1992, BCE entered into an alliance with Cable and Wireless plc, an international corporation based in the United Kingdom. As part of this alliance, BCE acquired for a total of $982 million a 20% interest in Mercury, which is the second-largest provider of telecommunications services in the United Kingdom and which was a wholly owned subsidiary of Cable and Wireless. At the same time, Cable and Wireless invested £30 million (approximately $60 million) in new equity and convertible securities for a fully diluted 20% interest in the holding company for BCE's cable TV and telecommunications interests in the United Kingdom.

Mercury's revenues for the six months ended September 30, 1993, amounted to £701 million (approximately $1,370 million) and its operating profit was £99 million (approximately $194 million) for the same period.

(h) Investments in associated companies, which BCE has the ability to significantly influence, generally representing 20 to 50 per cent ownership, amounted to $2,312 million at December 31, 1993 (1992 – $2,243 million). The goodwill implicit in these investments amounted to $660 million at December 31, 1993 (1992 – $699 million).

10. Property, plant and equipment

($ millions)

	December 31, 1993		December 31, 1992	
	Cost	**Net of accumulated depreciation**	Cost	Net of accumulated depreciation
Buildings, plant and equipment	**34,325**	**21,468**	32,368	20,324
Plant under construction	**342**	**342**	707	707
Land	**242**	**242**	199	199
Material and supplies	**256**	**256**	154	154
Total property, plant and equipment	**35,165**	**22,308**	33,428	21,384

11. Other corporate investments

The carrying values of other corporate investments follows:

($ millions)

	December 31, 1993	December 31, 1992
Montreal Trustco (note 6)	**400**	975
BF Realty (note 6)	**–**	501
Discontinued businesses	**400**	1,476
Encor Inc. (Encor) (a)	**–**	342
TCPL (b)	**–**	103
Other	**5**	5
Total other corporate investments	**405**	1,926

(a) **Encor**
In May 1993, BCE exchanged its investment in Encor for shares of Talisman Inc. (Talisman), and then sold its Talisman shares in June 1993 for net cash proceeds of $326 million.

(b) **TCPL**
In March 1993, BCE sold its remaining 7,958,471 TCPL shares for net cash proceeds of $143 million.

12. Debt due within one year

($ millions)

	December 31, 1993	December 31, 1992
Bank advances	**20**	75
Notes payable	**1,950**	2,067
Long-term debt – current portion	**621**	690
Total debt due within one year	**2,591**	2,832

13. Long-term debt

		($ millions) Total outstanding December 31 1993	1992
BCE Inc.			
9⅝% Series 4 Notes matured April 29, 1993		–	300
10⅜% Series 5 Notes maturing June 28, 1996		**250**	250
8.5% Series 6 Notes maturing January 31, 1997		**250**	250
9% Series 7 Notes maturing August 28, 1997		**300**	300
8⅜% Series 9 Notes maturing January 30, 1998 (a)		**245**	–
7⅛% Series 10 Notes maturing May 1, 1998, swapped to sterling principal and interest of 6.815% (b)		**319**	–
8.95% Series 8 Notes maturing April 1, 2002, swapped to sterling principal and interest of 9.232% (b)		**289**	–
Other		**6**	9
Total – BCE Inc.		**1,659**	1,109
Bell Canada			
Interest rates	Due dates		
First mortgage bonds (c)			
4.85% to 7⅞%	1994 to 2003	–	353
8% to 9⅞%	1993 to 2004	**282**	285
Debentures and notes (d)			
5⅛% to 7⅞%	1993 to 2006	**795**	382
8% to 9⅞%	1996 to 2053	**1,900**	1,654
10% to 12.65%	1995 to 2041	**2,475**	2,475
13⅜% to 17.1%	1994 to 2010	**502**	491
Other		**93**	90
Total – Bell Canada		**6,047**	5,730
Northern Telecom			
Interest rates	Due dates		
Debentures and notes			
6.95% to 11.5% (e)	1995 to 2001	**911**	585
6% to 10.9% (f)	1993 to 2023	**1,302**	1,024
Other		**166**	88
Total – Northern Telecom		**2,379**	1,697
Other subsidiaries		**985**	767
Total long-term debt		**11,070**	9,303
Less: due within one year		**621**	690
Long-term debt		**10,449**	8,613

13. Long-term debt
(continued)

(a) Represents pounds sterling debt (£125 million) that has been designated as a hedge against the investment in Mercury.

(b) Debts of $300 million each swapped to pounds sterling and designated as a hedge against the investment in Mercury.

(c) The first mortgage bonds of Bell Canada, which include US $130 million maturing from 1995 to 2004, are secured by a first mortgage and a floating charge on Bell Canada. During 1993, US $115 million (1992 – $213 million) of first mortgage bonds were redeemed prior to maturity.

(d) Debentures and notes of Bell Canada include US $400 million maturing from 2006 to 2010. Also included are 300 million Swiss francs maturing in 2003 and 195 million New Zealand dollar notes maturing in 1994 which are both hedged by means of foreign exchange contracts for both the principal amount and related interest payments.

(e) Represents pounds sterling debt or United States and Canadian dollar debts that have been swapped to pounds sterling.

(f) Represents United States dollar debt.

At December 31, 1993, the amounts of long-term debt payable by the Corporation and its subsidiaries in the years 1994 to 1998 were $621, $347, $1,012, $780 and $1,560 million, respectively.

14. Preferred shares

Authorized

The articles of incorporation of the Corporation provide for an unlimited number of First Preferred Shares and Second Preferred Shares. The articles authorize the Directors to issue such shares in one or more series and to fix the number of shares of each series, and the conditions attaching thereto, prior to their issue.

	December 31, 1993		December 31, 1992	
Outstanding	**Number of shares**	**Stated capital ($ millions)**	Number of shares	Stated capital ($ millions)
First Preferred Shares				
Series J shares (a)	**600**	**300**	600	300
$1.95 shares, Series M (b)	**8,000,000**	**200**	8,000,000	200
Series N shares (c)	**700**	**350**	700	350
Series O shares (d)	**10,000,000**	**379**	10,000,000	379
Total outstanding (e)		**1,229**		1,229

14. Preferred shares
(continued)

(a) Series J shares
The Cumulative Redeemable First Preferred Shares, Series J were issued in March 1989, by way of private placement at $500,000 per share to yield 7.64%. The Series J preferred shareholders are entitled to cumulative annual dividends of $38,200 per share, payable quarterly, to September 30, 1994. After that date, the quarterly dividends will be determined by one of: direct negotiation between BCE Inc. and holders of the shares; bids solicited from investment dealers; or an auction procedure. These shares, which are non-voting except in certain circumstances where Series J preferred shareholders are entitled to 5,000 votes per share, are not redeemable prior to September 30, 1994. From that date, they will be redeemable, at the Corporation's option, at a price of $500,000 per share.

(b) $1.95 shares
The $1.95 Cumulative Redeemable Retractable First Preferred Shares, Series M were issued in April 1989, at $25 per share to yield 7.80%. The $1.95 preferred shareholders are entitled to cumulative annual dividends of $1.95 per share, payable quarterly. These shares, which are non-voting except in certain circumstances where $1.95 preferred shareholders are entitled to one vote per share, are redeemable at the holder's option on April 30, in each of the years 1995 and 1996, at $25 per share, and on or after April 30, 1995, at the Corporation's option, at $25 per share. BCE Inc. may elect, on or before March 16, 1995, to create a further series of preferred shares into which the $1.95 shares will be convertible on a share for share basis, at the option of the holder, on April 30, 1995.

(c) Series N shares
The Cumulative Redeemable First Preferred Shares, Series N were issued in October 1989, by way of private placement at $500,000 per share to yield 7.55%. The Series N preferred shareholders are entitled to cumulative annual dividends of $37,750 per share, payable quarterly, to November 30, 1994. After that date, the quarterly dividends will be determined by one of: direct negotiation between BCE Inc. and holders of the shares; bids solicited from investment dealers; or an auction procedure. These shares, which are non-voting except in certain circumstances where Series N preferred shareholders are entitled to 5,000 votes per share, are not redeemable prior to November 30, 1994. From that date, they will be redeemable, at the Corporation's option, at a price of $500,000 per share.

(d) Series O shares
On April 26, 1990, BCE Inc. issued 10,000,000 Variable Rate Cumulative Redeemable Retractable and Convertible First Preferred Shares, Series O. The Series O preferred shareholders are entitled to receive quarterly cumulative dividends in an amount equal to the greater of the quarterly dividend declared on common shares of BCE Inc. and $0.65 per share. The Series O preferred shares, which are non-voting except in certain circumstances where the Series O preferred shareholders are entitled to one vote per share, are retractable at the option of the holders on April 27, 1995, at a price of $41.75 per share. After April 28, 1995, Series O preferred shares will be redeemable, at the Corporation's option, at $41.75 per share. On April 28, 1995, holders of Series O preferred shares may acquire, for each Series O preferred share held, one common share of BCE Inc. by the combined effect of the tendering for conversion of one Series O preferred share and the exercise of one warrant together with a cash payment of $4.00 per warrant (see note 16 for a description of the warrants).

(e) As set forth in (b) and (d) above, the $1.95 and the Series O preferred shares which totalled $579 million are redeemable at the option of their holders on April 30, 1995 and 1996 and on April 27, 1995, respectively.

15. Common shares

Authorized: an unlimited number of common shares

	December 31, 1993		December 31, 1992	
	Number of shares	**Stated capital** **($ millions)**	Number of shares	Stated capital ($ millions)
Outstanding	**308,161,767**	**5,728**	305,346,543	5,606

Changes in the number of common shares outstanding during the last three years:

	1993		1992		1991	
	Number of shares	**Stated capital ($ millions)**	Number of shares	Stated capital ($ millions)	Number of shares	Stated capital ($ millions)
Shares issued						
For cash						
Shareholder Dividend Reinvestment and Stock Purchase Plan	**2,371,011**	**104**	2,299,856	105	2,776,826	117
Employees' Savings Plan	**–**	**–**	571,264	28	1,864,218	83
Exercise of options	**243,662**	**10**	56,052	2	106,808	4
Conversion of preferred shares	**–**	**–**	126,942	3	132,641	3
Shares issued in exchange for shares of another company*	**200,551**	**8**	–	–	–	–
Shares purchased for cancellation	**–**	**–**	(8,000,000)	(146)	–	–
	2,815,224	**122**	(4,945,886)	(8)	4,880,493	207

*These shares were issued for 526,446 subordinate voting shares of Spar Aerospace Limited.

Shareholder Dividend Reinvestment and Stock Purchase Plan (DRP)
BCE's DRP allows shareholders of its common shares to invest cash dividends and optional cash payments in newly issued common shares of BCE. Participants may purchase shares quarterly with common share cash dividends; in addition, participants may purchase shares monthly with optional cash payments up to an aggregate sum of $20,000 in each twelve-month period ending October 15.

The issue price of DRP shares is the average of the closing prices for a board lot trade of the common shares of BCE on the Montreal and Toronto stock exchanges on the five trading days immediately preceding the investment date. No price discount is offered to participants. At December 31, 1993, 10.6% (1992 – 10.7%, 1991 – 10.5%) of the number of outstanding common shares was enrolled in the DRP. Optional cash payments amounted to $17 million in 1993 (1992 – $20 million, 1991 – $25 million).

15. Common shares (continued)

Employees' Savings Plan (ESP)

The ESP enables employees of BCE and its participating subsidiaries to acquire BCE common shares through regular payroll deductions plus employer contributions, if any. The purpose of ESP is to encourage employees to own shares of the Corporation. Participation at December 31, 1993, was 47,915 employees (1992 – 51,785 employees, 1991 – 52,144 employees).

Common shares of the Corporation are purchased by the ESP Trustee on behalf of the participants on the open market, by private purchase or from BCE, as determined from time to time by BCE. The total number of ESP shares purchased on behalf of employees, including purchases from BCE shown in the table above, was 4,608,019 at December 31, 1993 (1992 – 4,752,845 shares, 1991 – 4,790,512 shares).

Stock options

Under the Long-Term Incentive (Stock Option) Program (1985) (the Plan), options may be granted to officers and other key employees of the Corporation and of its subsidiaries to purchase common shares of the Corporation at a subscription price of 100% of market value on the last trading day prior to the date of the grant. The options are exercisable during a period not to exceed ten years. The right to exercise options generally accrues over a period of four years of continuous employment. Options are not generally exercisable during the first twelve months after the date of the grant. Simultaneously with the grant of an option, the employee may also be granted the right to a special compensation payment (SCP) (payable, in accordance with the terms of the Plan, in cash or in shares of the Corporation). The amount of any SCP is equal to the increase in market value of the number of the BCE Inc. shares covered by the SCP (which number may not exceed the number of shares covered by the option to which it is related) from the date of grant of the SCP to the date of exercise of the option to which the SCP is related. Shares covered by options granted with respect to any year may not exceed one-half of one per cent of the outstanding common shares of the Corporation at the end of the immediately preceding year.

At December 31, 1993, a total of 4,573,099 common shares remained authorized for issuance under the Plan.

Details of stock options are as follows:

	Number	Option price
1991		
Granted	132,699	\$40.1250 – \$44.1250
Exercised	(106,808)	\$36.8125 – \$43.2500
Cancelled	(21,862)	\$35.6250 – \$43.2500
Outstanding, end of year	767,492	\$36.7500 – \$44.1250
Exercisable, end of year	486,132	\$36.7500 – \$43.2500
1992		
Granted	195,631	\$48.6875
Exercised	(56,052)	\$36.8125 – \$43.2500
Cancelled	(1,121)	\$40.1250
Outstanding, end of year	905,950	\$36.7500 – \$48.6875
Exercisable, end of year	539,247	\$36.7500 – \$48.6875
1993		
Granted	189,718	\$42.3750 – \$43.5000
Exercised	(243,662)	\$36.8125 – \$43.2500
Cancelled	(2,050)	\$40.1250
Outstanding, end of year	849,956	\$36.7500 – \$48.6875
Exercisable, end of year	526,935	\$36.7500 – \$48.6875

In addition, SCPs have been granted as follows: 70,652 in 1991, 149,677 in 1992, and 138,042 in 1993. At December 31, 1993, 700,835 SCPs covering the same number of shares as the options to which they are related are outstanding.

15. Common shares
(continued)

Additional common shares reserved at December 31, 1993 – 29,080,129:

9,515,611	shares for issuance under the Shareholder Dividend Reinvestment and Stock Purchase Plan.
9,564,518	shares for issuance under the Employees' Savings Plan.
10,000,000	shares for issuance upon exercise of warrants and/or conversion of Series O preferred shares.

On July 29, 1993, BCE Inc. filed a notice of a normal course issuer bid allowing the Corporation to purchase for cancellation up to five million (approximately 1.6 per cent) of its common shares outstanding during the period from August 3, 1993 through August 2, 1994. No shares were repurchased under this program in 1993.

During the year ended December 31, 1992, the Corporation purchased on stock exchanges under a normal course issuer bid 8,000,000 of its common shares for an aggregate price of $356 million, of which $27 million was charged to contributed surplus and $183 million was charged to retained earnings.

16. Common share purchase warrants

On December 31, 1993, there were 10,000,000 common share purchase warrants outstanding. These warrants were issued concurrently with the Series O preferred shares on April 26, 1990, for $38.5 million. The warrants will expire on April 28, 1995 and entitle their holders to subscribe for one BCE Inc. common share for each warrant for either $45.75 in cash, or, on April 28, 1995, a cash payment of $4.00 and the tendering for conversion of one Series O preferred share (see also note 14(d)).

17. Foreign currency translation adjustment

The analysis of the foreign currency translation adjustment included in the common shareholders' equity follows:

		($ millions)	
	1993	1992	1991
Balance at beginning of year	**(49)**	(125)	(117)
Translation adjustments for the year	**61**	76	(8)
Balance at end of year	**12**	(49)	(125)

18. Commitments and contingent liabilities

As lessee

At December 31, 1993, the future minimum lease payments under capital leases and operating leases with initial non-cancellable lease terms in excess of one year were:

	($ millions)	
	Capital leases	Operating leases
1994	20	271
1995	18	219
1996	16	169
1997	10	124
1998	10	95
Thereafter	34	332
Total future minimum lease payments	108	1,210
Less: estimated executory costs	12	
Net minimum lease payments	96	
Less: imputed interest	33	
Total capital leases as at December 31, 1993	**63**	

Rental expense applicable to operating leases for the year 1993 was $494 million (1992 – $405 million, 1991 – $350 million).

Certain holders of Northern Telecom securities have commenced three purported class actions in the United States District Court for the Southern District of New York alleging that Northern Telecom and certain of its officers violated the Securities Exchange Act of 1934 and common law by making material misstatements of, or omitting to state, material facts relating to the business operations and prospects and financial condition of Northern Telecom. Compensatory and punitive damages are sought in each of the class actions. Due to the early stages of these actions, Northern Telecom cannot determine whether these actions will have a material adverse impact on its consolidated financial position or results of operations.

19. Changes in working capital

The (increase) decrease in working capital, excluding cash and debt due within one year, comprises:

	($ millions)		
	1993	1992	1991
(Increase) decrease in current assets:			
Accounts receivable	**(508)**	(700)	(11)
Inventories	**(351)**	(193)	(23)
Prepaid expenses	**(12)**	2	(47)
Deferred income taxes	**(141)**	21	(16)
Increase (decrease) in current liabilities:			
Accounts payable and accrued liabilities	**(467)**	876	421
Dividends payable	**17**	(21)	22
Income and other taxes payable	**2**	18	16
Interest payable	**38**	(6)	4
(Increase) decrease in working capital, excluding cash and debt due within one year	**(1,422)**	(3)	366

20. Unused bank lines of credit

At December 31, 1993, unused bank lines of credit available to BCE, generally at the prime bank rate of interest, amounted to approximately $2.6 billion.

21. Pensions

The following table sets forth the financial position of the pension plans and BCE's net pension asset:

($ millions)	December 31, 1993	December 31, 1992
Net assets available for plan benefits – at market value	**12,232**	10,926
Actuarial present value of plan benefits		
Accumulated plan benefits		
Vested	**7,362**	6,754
Non-vested	**912**	818
	8,274	7,572
Effect of salary projections	**2,066**	1,922
Projected plan benefits	**10,340**	9,494
Excess of plan assets at market value over projected plan benefits	**1,892**	1,432
Unrecognized net experience gains	**(1,907)**	(1,527)
Unrecognized net assets existing at January 1, 1987	**(98)**	(110)
Other unrecognized plan amendments	**334**	367
Net pension asset reflected on the consolidated balance sheet	**221**	162
Deferred pension asset (included in deferred charges)	**497**	412
Deferred pension obligation (included in other long-term liabilities)	**(276)**	(250)
Net pension asset	**221**	162

Experience gains and losses, the unrecognized net plan assets existing at January 1, 1987 and plan amendments are amortized over the employees' average remaining working lives (15 years at December 31, 1993 and 1992).

The components of BCE's pension expense follow:

($ millions)	1993	1992	1991
Service cost – benefits earned	**298**	273	283
Interest cost on projected plan benefits	**831**	798	797
Actual return on plan assets	**(1,249)**	(613)	(1,512)
Net amortization and deferrals	**293**	(321)	605
Pension expense	**173**	137	173

Pension expense was calculated using a value of assets adjusted to market over periods ranging from 3 to 5 years. The market related value of the plan assets amounted to $11,478 million at December 31, 1993 (1992 – $10,663 million, 1991 – $10,416 million). The weighted average discount rate used in determining the accumulated and accrued plan benefits, and the weighted average assumed long-term rate of return on plan assets, was 8.5% for 1993 (1992 – 8.7%, 1991 – 8.8%).

In addition to pension benefits, the Corporation and most of its subsidiary companies provide certain health care and life insurance benefits for retired employees. The costs of such benefits amounted to $34 million in 1993 (1992 – $29 million, 1991 – $25 million).

22. Reconciliation of earnings reported in accordance with Canadian generally accepted accounting principles (GAAP) with United States GAAP

($ millions, except per share amounts)	1993	1992	1991
Net earnings (loss) – Canadian GAAP	**(656)**	1,390	1,329
Adjustments			
Postretirement benefits other than pensions (OPEBs) (a)			
Impact of transitional obligation as at January 1, 1993 for non-regulated entities	**(141)**	–	–
Other net benefit costs for OPEBs	**(64)**	–	–
Income taxes (b)	**135**	–	–
Foreign exchange (c)	**(27)**	(73)	6
Other	**(11)**	(7)	(7)
Net earnings (loss) – U.S. GAAP	**(764)**	1,310	1,328(d)
Net earnings (loss) per share			
– Canadian GAAP	**(2.44)**	4.21	4.01
– U.S. GAAP	**(2.79)**	3.95	4.01

(a) The costs of OPEBs, such as medical and life insurance for retirees, are generally charged to earnings as incurred. In accordance with U.S. GAAP, OPEB costs are to be accrued and charged to earnings over employee working lives. The methods used in determining the amounts are similar to those used for pension costs, and the major difference between the impact of OPEBs and pensions results from the fact that pension liabilities are generally funded, while OPEB liabilities are not.

In reporting the impact of OPEBs, BCE has assumed that the CRTC would take the OPEB costs into account in setting rates for BCE's regulated companies, and that the transitional obligation relating to past service (i.e. employees' service prior to adopting the new method of accounting effective January 1, 1993) should accordingly be recognized as a charge to earnings over the next 20 years. If the past service costs for the regulated companies had been recognized retroactively, BCE's transitional obligation as at January 1, 1993, would have increased by $431 million, and BCE's 1993 loss under U.S. GAAP would have increased by a net amount of $409 million (an additional impact of $1.33 on U.S. GAAP E.P.S.).

The United States Financial Accounting Standards Board (FASB) has issued, to be effective in 1994, Statement No. 112 – Employers' Accounting for Postemployment Benefits. This statement requires employers to accrue the expected cost of postemployment benefits provided to former or inactive employees, their beneficiaries and covered dependents after employment, but before retirement. BCE has not yet determined the effect that this standard would have on its financial results under U.S. GAAP.

(b) The FASB has issued, effective in 1993, Statement No. 109 – Accounting for Income Taxes. This statement requires the adoption of the liability method of income tax accounting, whereby deferred tax assets and liability values are adjusted to reflect current income tax rates. For the regulated telecommunications companies of BCE, the CRTC has generally recognized the liability method of accounting for income taxes (see note 1 – Income taxes), and no adjustment was necessary for those companies.

(c) Under FASB Statement No. 52, unrealized foreign exchange translation gains and losses on long-term monetary assets and liabilities are reported in earnings immediately rather than deferred and amortized over the remaining lives of the related items.

(d) If Bell Canada's 1991 early retirement incentive plans had been treated in accordance with FASB Statement No. 88: Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits, net earnings would have decreased by $72 million in 1991.

23. Sale of STC Submarine Systems business

In July 1993, Northern Telecom announced an agreement to sell its STC Submarine Systems business for cash consideration of approximately £600 million (approximately $1,200 million), subject to the approval of regulatory authorities and other standard conditions. Regulatory approval was received in February 1994. This transaction, when completed, will reduce goodwill by approximately £500 million (approximately $1,000 million). The revenue of this business was approximately £200 million (approximately $400 million) for the year ended December 31, 1993.

Selected Financial and Other Data (unaudited)

	1993	1992
Statement of operations data ($ millions)		
Revenues	**19,827**	19,572
Earnings from continuing operations	**159**	1,486
Earnings (loss) from discontinued operations	**(815)**	(96)
Net earnings (loss)	**(656)**	1,390
Net earnings (loss) applicable to common shares	**(750)**	1,295
Balance sheet data ($ millions)		
Total assets	**36,708**	36,656
Notes payable	**1,950**	2,067
Long-term debt (including current portion)	**11,070**	9,303
Minority interest	**3,505**	3,976
Preferred shares	**1,229**	1,229
Common equity	**9,694**	11,078
Capital expenditures	**3,210**	3,715
Common share data		
Earnings (loss) per share		
Continuing operations	**0.21**	4.52
Discontinued operations	**(2.65)**	(0.31)
Net earnings (loss) per share	**(2.44)**	4.21
Dividends declared per common share	**2.65**	2.61
Equity per common share	**31.46**	36.28
Return on common equity	**(7.1)%**	12.0%
Other data		
Network access services (thousands)	**10,015**	9,768
Number of employees (thousands)	**118**	124

Quarterly financial data (unaudited)

($ millions, except per share amounts)	4th Quarter		
	1993	1992	1991
Revenues	**5,653**	5,599	4,932
Operating earnings (loss)	**912**	1,371	1,013
Earnings (loss) from continuing operations	**261**	560	371
Earnings (loss) from discontinued operations	**(770)**	(32)	(3)
Net earnings (loss)	**(509)**	528	368
Net earnings (loss) applicable to common shares	**(532)**	505	346
Earnings (loss) per share			
Continuing operations	**0.77**	1.76	1.13
Discontinued operations	**(2.50)**	(0.11)	(0.02)
Net earnings (loss) per share	**(1.73)**	1.65	1.11
Average number of common shares outstanding (millions)	**307.6**	305.3	309.7

Reconciliation of earnings reported in accordance with Canadian generally accepted accounting principles (GAAP) with United States GAAP (unaudited)

($ millions, except per share amounts)	4th Quarter		
	1993	1992	1991
Net earnings (loss) – Canadian GAAP	**(509)**	528	368
Net adjustments	**(61)**	(19)	(25)
Net earnings (loss) – U.S. GAAP	**(570)**	509	343
Earnings (loss) per share			
– Canadian GAAP	**(1.73)**	1.65	1.11
– U.S. GAAP	**(1.93)**	1.59	1.04

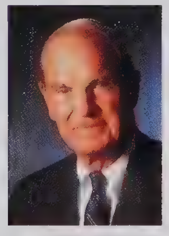
1991	1990	1989	1988	1987	1986	1985	1984	1983
18,494	16,921	15,795	14,635	14,485	13,707	12,969	10,735	9,041
1,307	1,103	1,164	853	1,070	974	1,007	935	830
22	44	(403)	(7)	6	5	2	–	–
1,329	1,147	761	846	1,076	979	1,009	935	830
1,235	1,062	724	841	1,043	941	967	889	778
33,652	30,062	28,649	25,988	23,797	21,576	19,506	17,396	14,772
1,343	1,408	1,687	1,742	712	227	200	513	264
8,767	7,788	7,471	6,511	5,972	5,052	5,041	4,609	4,282
3,648	3,175	2,790	2,342	2,292	2,134	1,798	1,349	800
1,232	1,235	858	13	243	257	313	378	423
10,727	10,090	9,548	9,214	8,885	8,217	7,200	6,252	5,307
3,261	3,284	3,177	3,052	2,853	2,306	2,218	1,966	1,580
3.94	3.35	3.79	2.97	3.85	3.63	4.04	4.01	3.88
0.07	0.15	(1.36)	(0.02)	0.02	0.02	0.01	–	–
4.01	3.50	2.43	2.95	3.87	3.65	4.05	4.01	3.88
2.57	2.53	2.49	2.45	2.41	2.37	2.30	2.205	2.105
34.57	33.04	31.61	31.82	32.44	30.97	29.26	26.78	24.68
12.0%	10.8%	7.6%	9.2%	12.3%	12.1%	14.5%	15.8%	14.7%
9,539	9,300	8,986	8,472	8,117	7,746	7,424	7,145	6,887
124	119	120	115	116	109	108	108	101

3rd Quarter			2nd Quarter			1st Quarter		
1993	1992	1991	**1993**	1992	1991	**1993**	1992	1991
4,790	4,760	4,487	**4,659**	4,668	4,706	**4,725**	4,545	4,369
689	954	966	**(997)**	846	891	**751**	857	821
167	321	355	**(493)**	309	298	**224**	296	283
(15)	(3)	6	**(27)**	(63)	9	**(3)**	2	10
152	318	361	**(520)**	246	307	**221**	298	293
128	294	337	**(544)**	223	283	**198**	273	269
0.47	0.97	1.07	**(1.69)**	0.93	0.89	**0.66**	0.87	0.85
(0.05)	(0.01)	0.03	**(0.08)**	(0.21)	0.03	**(0.01)**	0.01	0.03
0.42	0.96	1.10	**(1.77)**	0.72	0.92	**0.65**	0.88	0.88
307.4	305.2	308.2	**306.8**	309.0	306.7	**306.0**	311.0	306.0

3rd Quarter			2nd Quarter			1st Quarter		
1993	1992	1991	**1993**	1992	1991	**1993**	1992	1991
152	318	361	**(520)**	246	307	**221**	298	293
(36)	(36)	2	**(19)**	(3)	13	**8**	(22)	9
116	282	363	**(539)**	243	320	**229**	276	302
0.42	0.96	1.10	**(1.77)**	0.72	0.92	**0.65**	0.88	0.88
0.30	0.84	1.10	**(1.83)**	0.71	0.97	**0.67**	0.81	0.91

Board of Directors

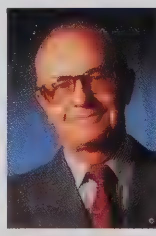
Peter A. Allen
Toronto, Ontario
Chairman of the Board
and Chief Executive Officer
Lac Minerals Ltd.
(mine exploration, development
and production company
specializing in gold and other
hardrock minerals)



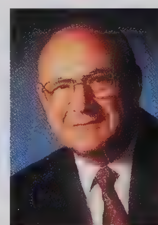
Ralph M. Barford
Toronto, Ontario
President
Valleydene Corporation Limited
(private investment company)

Warren Chippindale, F.C.A.
Mont-Tremblant, Quebec
Company Director/Consultant

J.V. Raymond Cyr, O.C.
Montreal, Quebec
Chairman of the Board
Bell Canada
Former Chairman of BCE Inc.



C. William Daniel, O.C.
North York, Ontario
Company Director/Consultant



A. Jean de Grandpré, C.C., Q.C.
Montreal, Quebec
Founding Director and
Chairman Emeritus
BCE Inc.
Legal Counsel
Lavery, de Billy
(law firm)

Jeannine Guillevin Wood
Montreal, Quebec
Chairman of the Board and
Chief Executive Officer
Guillevin International Inc.
(distributor of electrical products)

The Honourable
Donald J. Johnston, P.C., Q.C.
Montreal, Quebec
Legal Counsel
Heenan Blaikie
(law firm)

Gerald J. Maier
Calgary, Alberta
Chairman of the Board and
Chief Executive Officer
TransCanada PipeLines Limited
(natural gas transportation and
marketing company)

E. Neil McKelvey, O.C., Q.C.
Saint John, New Brunswick
Counsel
Stewart McKelvey Stirling Scales
(law firm)

J. Edward Newall, O.C.
Calgary, Alberta
President and
Chief Executive Officer
NOVA Corporation of Alberta
(natural gas transportation and chemicals manufacturing and marketing company)

Alastair H. Ross
Calgary, Alberta
President
Allaro Resources Ltd.
(private oil and gas exploration company)

C. Richard Sharpe
Mississauga, Ontario
Chairman of the Board
Sears Canada Inc.
(retail department stores and catalogue sales)

Louise B. Vaillancourt, C.M.
Outremont, Quebec
Company Director

L.R. Wilson
Montreal, Quebec
Chairman, President and
Chief Executive Officer
BCE Inc.

Members of the Committees of the Board

Audit
W. Chippindale – Chairman
P.A. Allen
J. Guillevin Wood
E.N. McKelvey
A.H. Ross

Management Resources and Nominating
R.M. Barford – Chairman
C.W. Daniel
J.E. Newall
C.R. Sharpe

Pension Fund Policy
L.B. Vaillancourt – Chairman
A.J. de Grandpré
D.J. Johnston
G.J. Maier
L.R. Wilson

Committees of the Board

BCE has established permanent committees of the Board of Directors to permit continuing review in the areas of auditing, management resources and nominating, and pension fund policy.

The *Audit Committee* reviews the corporation's financial statements and related data prior to submission to the full Board. It advises the Board on the adequacy, accuracy and timeliness of financial reports; on the efficacy of internal accounting, auditing and control procedures; and ensures that BCE continues to meet high standards of disclosure, fully compliant with all external requirements and reporting standards.

The Audit Committee also advises the Board on the selection of the shareholders' auditors and meets, both separately and together, with the auditors and management. BCE's Audit Committee consists entirely of outside directors, *i.e.*, directors who are not officers of BCE or its subsidiaries. The Audit Committee met five times during 1993.

The *Management Resources and Nominating Committee* recommends candidates for appointment or election to the Board, the appointment of the chief executive officer, ensures that qualified personnel will be available for appointment to officer and other management ranks, assesses the performance of the CEO and officers, and establishes the compensation philosophy and remuneration of officers. All members of the committee are outside directors. The Management Resources and Nominating Committee met four times during 1993.

The *Pension Fund Policy Committee* advises the Board on the funding of pension liabilities and the investment of pension fund assets of BCE and certain of its subsidiary and associated companies. It also reviews and reports to the Board on the activities of the pension fund trustee as directed by management. The Pension Fund Policy Committee met twice during 1993.

Corporate Officers

L.R. Wilson
Chairman, President and
Chief Executive Officer

Derek H. Burney
Executive Vice-President,
International

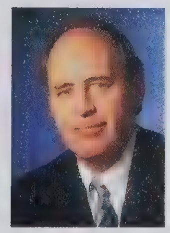
Gerald T. McGoey
Executive Vice-President and
Chief Financial Officer

J. Derek M. Davies
Senior Vice-President,
Corporate Strategy

Josef J. Fridman
Senior Vice-President,
Law

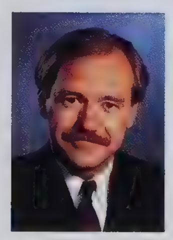
Thomas J. Bourke
Group Vice-President,
Directories

William D. Anderson
Vice-President,
Taxation



Frederick J. Andrew
Vice-President and Treasurer

Guy Houle
Vice-President and
Corporate Secretary



William R. Kerr
Vice-President and
Comptroller

Charles A. Labarge
Vice-President,
Corporate Services

Departmental Executive

R. Stephen Bower
Assistant Comptroller –
Management Information and
Financial Reporting

Pierre Brochu
Assistant Comptroller –
Performance and Control

Howard N. Hendrick
Assistant Treasurer and
Director of Investor Relations

Marc J. Ryan
General Counsel

Michel Saint-Cyr
Assistant Vice-President –
Administration

Ida Teoli
Assistant Vice-President –
Corporate Communications

Information on BCE Common Shares

	1993		1992	
	High	**Low**	High	Low
Common Share Prices				
Montreal and Toronto ($/sh.)				
1st quarter	**47.000**	**40.750**	50.000	45.875
2nd quarter	**46.625**	**43.000**	46.125	42.375
3rd quarter	**45.625**	**42.000**	47.375	42.375
4th quarter	**46.750**	**42.875**	45.875	40.875
NYSE Consolidated Tape ($US/sh.)				
1st quarter	**38.000**	**32.000**	43.250	38.500
2nd quarter	**36.125**	**33.500**	38.625	35.500
3rd quarter	**35.750**	**32.000**	39.875	34.000
4th quarter	**35.625**	**32.375**	36.875	32.125

Dividends

Quarterly dividends of $0.66 per common share were paid in 1993 ($0.65 in 1992).

On November 24, 1993, the Board of Directors declared an increase in the dividend on common shares. The final 1993 quarterly dividend, paid on January 15, 1994, was raised to $0.67. The indicated annual rate is now $2.68, an increase of $0.04 over the previous annual rate.

Number of shareholders

At December 31, 1993, there were 308,161,767 BCE common shares outstanding, held by 241,078 registered shareholders. At the same date, there were 18,001,300 preferred shares outstanding, held by 392 registered shareholders.

Dividends on Common Shares*

Declared	Record Date	Payment Date
February 23, 1994	March 15, 1994	April 15, 1994
May 25, 1994	June 15, 1994	July 15, 1994
August 24, 1994	September 15, 1994	October 15, 1994
November 23, 1994	December 15, 1994	January 15, 1995

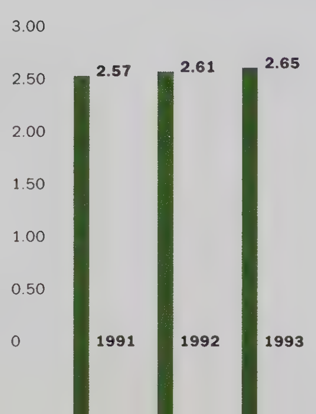
*Subject to approval by the Board of Directors.

The financial results for each quarter will be released following meetings of the Board of Directors on the following dates:

First Quarter	April 27, 1994
Second Quarter	July 27, 1994
Third Quarter	October 26, 1994
Fourth Quarter	January 25, 1995

Market prices per common share
(Canadian $)

Dividend growth
($)



Shareholder Information

Dividend Reinvestment and Stock Purchase Plan (DRP)

Shareholders wishing to acquire additional common shares of BCE Inc. can take advantage of the Shareholder Dividend Reinvestment and Stock Purchase Plan. This plan provides a convenient method for eligible holders of BCE common shares to reinvest all of their common share cash dividends in new common shares of BCE.

Shareholders can also make optional cash payments of up to Cdn $20,000 in each 12-month period ending on October 15.

Participating shareholders pay no brokerage commission or service charge of any kind and all administrative costs of the plan are borne by the corporation.

Payment of dividends – direct deposit

BCE Inc. shareholders resident in Canada may have their dividend cheques deposited directly to their personal accounts at most banks or other financial institutions. This service permits shareholders to arrange for the timely deposit of their dividend payments in a manner that is reliable, secure and convenient.

U.S. resident shareholders – choice of dollar-denominated dividend payments

Holders of common shares who are resident in the United States and have not elected to have their cash dividends reinvested in DRP normally have their dividends converted to and paid in U.S. funds, unless instructions to pay in Canadian funds are received.

Multiple mailings

In some cases, where a shareholder holds more than one class of securities, or when holdings are registered differently, the shareholder may receive more than one copy of publications such as annual reports. In such cases, please advise the Montreal Trust Company.

Do you wish to receive quarterly reports?

As BCE's results are published in the financial press shortly after the end of each quarter, an increasing number of BCE shareholders have elected not to receive quarterly reports. This results in a saving in both paper and expense.

Quarterly reports will be mailed only to those shareholders who have specifically asked to receive them. If you wish to receive quarterly reports, please advise the Montreal Trust Company.

Canadian Taxes on Foreign Investors

Income taxes

Dividends (including stock dividends) on BCE shares paid or credited to non-residents of Canada are subject to withholding tax at 25 per cent, unless reduced by treaty.

Under the United States-Canada Income Tax Convention, a withholding tax of 15 per cent applies to BCE dividends paid or credited to individuals residing in the United States, or to corporations organized under the laws of the United States which do not have a "permanent establishment" or a "fixed base" in Canada.

A U.S. holder of BCE common shares may be entitled to either a deduction or a credit for the Canadian withholding tax paid on BCE dividends. If a U.S. shareholder elects to claim a credit against the U.S. federal income taxes payable, he may do so by filing form 1116, "Computation of Foreign Tax Credit". Once a U.S. shareholder elects to claim a foreign tax credit, this choice applies to all foreign taxes paid to all foreign countries and no portion may be deducted from gross income.

Gains on disposals of BCE shares by non-residents of Canada are generally not subject to Canadian income tax, unless realized by the shareholder in connection with a business (including an "adventure in the nature of trade") carried on in Canada.

Estate and succession duties

There are no estate taxes or succession duties imposed by Canada or by any province of Canada.

Investor Information

Transfer offices and registrar for shares

Canada

Montreal Trust Company

St. John's, Nfld.

Halifax

Charlottetown

Saint John, N.B.

Montreal

Toronto

Winnipeg

Regina

Edmonton

Calgary

Vancouver

Outside Canada – Common shares only

Bank of Montreal Trust Company
New York, N.Y.

The R-M Trust Company
London, England

Listing of shares

Canada

The Montreal Exchange
The Toronto Stock Exchange
Vancouver Stock Exchange

Outside Canada – Common shares only

Japan
Tokyo Stock Exchange

Switzerland
Zürich, Basel, Geneva Stock Exchanges

United Kingdom
The Stock Exchange

United States
New York Stock Exchange

Shareholder Inquiries

For further information concerning the Dividend Reinvestment and Stock Purchase Plan (DRP), direct deposit of dividend payments, the elimination of multiple mailings or the receipt of quarterly reports, please contact the Montreal Trust Company:

By mail:

Montreal Trust Company
P.O. Box 1100, Station B
Montreal, Quebec
H3B 3K9

By telephone:

(514) 982-7555 – in the Montreal area or outside of Canada

1-800-561-0934 – elsewhere in Canada (toll-free)

Pour obtenir un exemplaire français du rapport annuel, prière d'écrire à l'adresse suivante :

Le vice-président et secrétaire de la Société
BCE Inc.
1000, rue de La Gauchetière Ouest
Bureau 3700
Montréal (Québec) H3B 4Y7

Statistical information available to analysts may be obtained from:

The Vice-President and Corporate Secretary
BCE Inc.
1000, rue de La Gauchetière Ouest
Bureau 3700
Montréal (Québec)
H3B 4Y7

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1994 annual meeting

The annual meeting of BCE shareholders will take place at 10 a.m., Wednesday, April 27, 1994, at Roy Thomson Hall, 60 Simcoe Street, Toronto, Ontario.

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